BANK BRADESCO
Form 20-F
April 30, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-15250

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

BANCO BRADESCO S.A.
(Exact name of Registrant as specified in its charter)
BANK BRADESCO
(Translation of Registrant's name into English)

Federative Republic of Brazil
(Jurisdiction of incorporation or organization)

Cidade de Deus S/N - Vila Yara - 06029-900 - Osasco - SP, Brazil
(Address of principal executive offices)

Luiz Carlos Angelotti (Managing Officer and Investor Relations Officer),
E-mail: 4000.luiz@bradesco.com.br
Telephone: +55 11 3684-4011
Cidade de Deus S/N - Vila Yara, 06029-900 - Osasco - SP, Brazil
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, or ADSs (evidenced by American	New York Stock Exchange
Depositary Receipts, or ADRs), each representing 1 preferred share	
Preferred Shares	New York Stock Exchange*
American Depositary Shares, or ADSs (evidenced by American	New York Stock Exchange

Depositary Receipts, or ADRs), each representing 1 common share	
Common Shares	**New York Stock Exchange***

* Not for trading, but only in connection with the registration of ADSs pursuant to the requirements of the SEC.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

Number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2011:

1,909,910,390	Common Shares, without par value
1,907,930,791	Preferred Shares, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes x No

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this annual report, the terms "Bradesco," the "Company," the "Organization," the "Bank," "we" or "us" refer to Banco Bradesco S.A., a *sociedade anônima* organized under the laws of Brazil and, unless the context otherwise requires, its consolidated subsidiaries. We are a full-service financial institution providing, directly or through our subsidiaries, a full range of banking, financial, purchasing consortium management, asset management, insurance, investment banking, pension plan (or pension) and capitalization bond services for all segments of the Brazilian market. Our operations are based primarily in Brazil.

All references herein to "*real*," "*reais*" or "R$" are to the Brazilian real, the official currency of Brazil. References herein to "U.S. dollars," "dollar" and "US$" are to United States dollars, the official currency of the United States of America (“USA”).

Our audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009, with the corresponding notes, are included under "Item 18. Financial Statements" of this annual report and were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board or "IASB" (referred to as "IFRS").

This is the first time Bradesco is filing consolidated financial statements with the United States Securities and Exchange Commission, or “SEC” using IFRS as issued by the IASB. Until December 31, 2010, our consolidated financial statements were prepared in accordance with the United States generally accepted accounting principles or "U.S. GAAP." U.S. GAAP differs in certain respects from IFRS.

In the transition to IFRS, Bradesco chose to use accounting practices adopted in Brazil for institutions authorized to operate by the Brazilian Central Bank, or "BR GAAP", as its previous accounting rules for the purposes of transition to IFRS. Accordingly, note 46 of the consolidated financial statements show the differences between BR GAAP and IFRS on equity on the date of transition to IFRS, January 1, 2009, as well as on December 31, 2009, and the effects on our result for the year ended December 31, 2009.

The consolidated IFRS financial statements as of and for the year ended December 31, 2011 presented herewith have recognition, measurement and presentation differences with respect to U.S. GAAP financial statements we had historically filed with the SEC. As required by SEC regulations, we present reconciliations of the differences between U.S. GAAP and IFRS affecting equity and net income including a narrative description of its nature in Note 47 to the consolidated financial statements.

The last consolidated financial statements available under U.S. GAAP, which were filed with the SEC, were those for the year ended December 31, 2010.

For certain purposes, such as reports for Brazilian shareholders, filings with the Brazilian Securities and Exchange Commission or "CVM", and determining dividend and federal income tax payments, we use originally accounting practices adopted in Brazil for financial institutions authorized to operate by the Central Bank.

On April 20, 2012, the real U.S. dollar exchange rate was R$1.8786 per US$1.00 based on the closing selling exchange rate reported by Brazilian Central Bank (Banco Central do Brasil), or the "Central Bank." The selling exchange rate as of December 31, 2011 was R$1.8758 per US$1.00. See "Item 3.A. Selected Financial Data - Exchange Rate Information" for more information regarding the exchange rates applicable to the Brazilian currency since 2007**.**

As a result of recent fluctuations in the *real*/U.S. dollar exchange rate, the closing selling commercial exchange rate at April 20, 2012 or at any other date may not be indicative of current or future exchange rates.

Some data related to economic sectors presented in this annual report was obtained from the following sources: *Associação Brasileira das Empresas de Cartão de Crédito e Serviços* (Brazilian Association of Credit Card Companies and Services) or ABECS; *Associação Brasileira de Empresas de Leasing* (Brazilian Association of Leasing Companies) or ABEL; *Associação Brasileira das Entidades dos Mercados de Financeiros e de Capitais* (Brazilian Association of Financial and Capital Markets Entities) or ANBIMA; *Agência Nacional de Saúde Suplementar* (Brazilian Health Insurance Authority) or ANS; *Banco Central do Brasil* (Central Bank), or BACEN; *Banco Nacional de Desenvolvimento Econômico e Social* (Brazilian Development Bank) or BNDES; *Federação Nacional de Previdência Privada e Vida* (National Association of Private Pension Plans) or FENAPREVI; *Fundação Getulio Vargas* (Getulio Vargas Foundation) or FGV and *Superintendência de Seguros Privados* (Private Insurance Superintendence) or SUSEP. We believe these sources are reliable, but we cannot take responsibility for the accuracy of this data.

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Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

References in this annual report to the “common shares” and “preferred shares” are to our common shares and preferred shares, respectively, and together our "shares." References to “American Depositary Shares” or “ADSs” are to American Depositary Shares, each representing one (1) preferred share. The ADSs are evidenced by American Depositary Receipts, or ADRs, issued pursuant to an Amended and Restated Deposit Agreement, dated as of July 22, 2009, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (the "Deposit Agreement").

On March 13, 2012, we established an American Depositary Shares program for our common shares, with each common share ADS representing one common share, referred to as the "common share ADSs." The common share ADSs are evidenced by "common share ADRs," issued pursuant to a Deposit Agreement, dated as of March 13, 2012 by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of common share ADSs evidenced by common share ADRs issued thereunder (the "Common Share Deposit Agreement" and together with the Deposit Agreement, the "Deposit Agreements").

Unless indicated otherwise, references herein to American Depositary Shares, ADSs, American Depositary Receipts and ADRs refer only to those represented by our preferred shares.

Throughout this annual report we may indicate that certain information is available at different websites operated by us. You should note that none of the information on the websites referred to or mentioned in this annual report is part of this annual report or is incorporated by reference herein.

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FORWARD LOOKING STATEMENTS

This annual report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or "Exchange Act." These statements are based mainly on our current expectations and projections of future events and financial trends that currently affect or might affect our business. In addition to the items discussed in other sections of this annual report, there are many significant factors that could cause our financial condition and results of operation to differ materially from those set out in our forward-looking statements, including, but not limited to, the following:

- global economic conditions;
- economic, political and business conditions in Brazil and the markets in which we operate;
- risks of lending, credit, investments and other activities;
- our level of capitalization;
- cost and availability of funds;
- higher levels of delinquency by borrowers and other delinquency events leading to higher impairment of loans and advances;
- loss of customers or other sources of income;
- our ability to execute our investment strategies and plans as well as to maintain and improve our operating performance;
- our revenues from new products and businesses;
- adverse claims or legal or regulatory disputes or proceedings;
- inflation, depreciation of the *real* and/or fluctuations in the interest rate, which could adversely affect our margins;
- conditions of competition in the banking and financial services, credit card, asset management, insurance and related sectors;
- the market value of securities, particularly Brazilian government securities; and
- changes by the Central Bank and others in laws and regulations, applicable to us and our activities, including, but not limited to, those affecting tax issues.

Words such as "believe," "expect," "continue," "understand," "estimate," "will," "may," "anticipate," "should," "intend," and other similar expressions are intended to identify forward looking statements. These statements refer only to the date on which they were made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or any other event.

In light of these risks and uncertainties, the forward looking statements, events and circumstances discussed in this annual report may not be accurate, and our actual results and performance could differ materially from those anticipated in our forward-looking statements. Investors should not make investment decisions based solely on the forward-looking statements in this annual report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

We present below our selected financial data prepared in accordance with IFRS as of and for the years ended December 31, 2011, 2010 and 2009. The data as of and for the years ended December 31, 2010 and 2009, is derived from our consolidated financial statements which were audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report included in this annual report. The data for the year ended December 31, 2011 is derived from our consolidated financial statements, which were audited by KPMG Auditores Independentes, an independent registered public accounting firm, as stated in their report included in this annual report. For more details of our changing independent auditors, see "Item 16.F. Change in Registrant Certifying Accountant."

The following selected financial data should be read together with the "Presentation of Financial and Other Information" and "Item 5. Operating and Financial Review and Prospects."

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Selected Financial Data according to IFRS

Year ended December 31,	US$ in thousands [1]	R$ in thousands		
	2011	2011	2010	2009
Data from the Consolidated Statement of Income				
Interest and similar income	43,845,029	82,367,272	63,772,183	55,165,229
Interest and similar expenses	(24,888,739)	(46,755,986)	(31,000,892)	(27,974,717)
Net interest income	**18,956,290**	**35,611,286**	**32,771,291**	**27,190,512**
Fee and commission income	5,785,325	10,868,311	9,421,485	7,866,601
Fee and commission expenses	(18,087)	(33,978)	(26,947)	(19,219)
Net fee and commission income	**5,767,238**	**10,834,333**	**9,394,538**	**7,847,382**
Net gains/(losses) on financial instruments classified as held for trading	(323,789)	(608,270)	2,212,733	5,983,781
Net gains/(losses) on financial assets classified as available for sale	194,454	365,302	754,416	757,255
Net gains/(losses) of foreign currency transactions	1,397,750	2,625,813	(682,961)	(897,638)
Income from insurance and pension plans	1,637,483	3,076,175	2,577,730	1,778,016
Impairment of loans and advances	(4,416,135)	(8,296,151)	(5,756,125)	(10,809,611)
Personnel expenses	(5,935,787)	(11,150,970)	(8,794,017)	(7,334,164)
Other administrative expenses	(6,109,408)	(11,477,134)	(9,761,445)	(8,138,058)
Depreciation and amortization	(1,128,678)	(2,120,335)	(1,966,433)	(1,516,529)
Other operating income/(expenses)	(2,586,342)	(4,858,702)	(6,002,663)	(3,024,640)
Income before income taxes and equity in the earnings of associates	**7,453,075**	**14,001,347**	**14,747,064**	**11,836,306**
Equity in the earnings of associates	363,101	682,122	577,053	728,867
Income before income taxes	**7,816,176**	**14,683,469**	**15,324,117**	**12,565,173**
Income and social contribution taxes	(1,913,141)	(3,594,027)	(5,271,924)	(4,264,330)
Net income for the year	**5,903,035**	**11,089,442**	**10,052,193**	**8,300,843**
Attributable to shareholders				
Controlling	5,833,096	10,958,054	9,939,575	8,283,007
Non-controlling interest	69,939	131,388	112,618	17,836

[1] Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$1.8786 per US$1.00, the Central Bank exchange rate on April 20, 2012. Such translations should not be

construed as a representation that the Brazilian *real* amounts presented were or could be converted into U.S. dollars at that rate.

Year ended December 31,	R$, except for number of shares 2011	2010	2009
Data on Earnings and Dividends per Share (1)			
Earnings per share (2) (3) (4)			
Common	2.74	2.52	2.12
Preferred	3.01	2.77	2.34
Dividends/interest on equity per share (2)			
Common	0.93	0.85	0.73
Preferred	1.03	0.94	0.80
Weighted average number of outstanding shares			
Common	1,908,948,826	1,880,830,018	1,856,653,104
Preferred	1,906,821,919	1,881,367,208	1,856,685,513

(1) Data on earnings and dividends per share reflects: (a) the split of our Capital Stock on January 22, 2010, in which we issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on December 18, 2009; and (b) the split of our Capital Stock on July 13, 2010, in which we issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on June 10, 2010. For comparison purposes, all share amounts have been retroactively adjusted for all periods to reflect the stock split;

(2) Holders of preferred shares are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to common shareholders. For purposes of calculating earnings per share according to IFRS, we used the same criteria adopted for dividends per share. For a description of our two classes of shares. see "Item 10.B. Memorandum and Articles of Incorporation".

(3) None of our outstanding liabilities are exchangeable for or convertible into equity securities. Therefore, our diluted earnings per share do not differ from our earnings per share. Accordingly, our basic and diluted earnings per share are equal in all periods presented; and

(4) On December 17, 2010, the Special Shareholders´ Meeting voted in favor of a share capital increase of R$1,500 million, increasing share capital from R$28,500 million to R$30,000 million by issuing 62,344,140 new book-entry registered shares without par value, of which 31,172,072 were common and 31,172,068 preferred shares, at the price per share of R$24.06 through private subscription by shareholders from December 29, 2010 through January 31, 2011, in the proportion of 1.657008936% of the shareholder´s holdings as of the date of the meeting, which was paid in cash on February 18, 2011.

Year ended December 31,	2011	In US$ 2010	2009
Dividends/interest on equity per share (1)			
Common	0.50	0.51	0.42
Preferred	0.55	0.56	0.46

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at the exchange rate disclosed by the Central Bank at the end of each fiscal year.

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As of December 31,	US$ in thousands (1)	R$ in thousands		
	2011	2011	2010	2009
Data from the Consolidated Statement of Financial Position				
Assets				
Cash and balances with banks	49,918,864	93,777,577	80,960,127	24,850,091
Financial assets held for trading	51,419,715	96,597,077	75,234,191	54,480,534
Financial assets available for sale	24,086,233	45,248,398	40,179,144	44,046,416
Investments held to maturity	2,188,325	4,110,987	3,394,307	3,882,979
Assets pledged as collateral	51,699,180	97,122,080	79,700,612	60,072,653
Loans and advances to banks	38,679,809	72,663,890	64,715,412	82,721,843
Loans and advances to customers, net of impairment	130,882,013	245,874,949	210,280,182	174,240,350
Non-current assets held for sale	237,065	445,351	412,142	455,874
Investments in associated companies	1,272,472	2,390,466	2,298,200	1,431,157
Property and equipment	2,271,488	4,267,218	3,669,281	3,404,541
Intangible assets and goodwill	3,841,529	7,216,697	5,412,088	4,721,558
Taxes to be offset	2,434,221	4,572,927	1,590,297	2,122,244
Deferred income tax assets	9,099,004	17,093,388	12,733,792	12,526,420
Other assets	16,345,090	30,705,887	22,374,249	20,727,291
Total assets	**384,375,009**	**722,086,892**	**602,954,024**	**489,683,951**
Liabilities				
Deposits from banks	108,745,968	204,290,176	171,920,917	120,067,970
Deposits from customers	115,150,079	216,320,938	192,475,948	169,946,116
Financial liabilities held for trading	397,748	747,210	732,967	532,422
Funds from securities issued	22,160,635	41,630,969	17,809,765	7,682,798
Subordinated debt	14,324,545	26,910,091	26,314,946	23,103,977
Insurance technical provisions and pension plans	52,758,608	99,112,321	83,493,046	72,596,897
Other provisions	9,542,452	17,926,450	13,327,866	10,852,483
Current income tax liabilities	1,468,635	2,758,978	1,923,372	1,245,832
Deferred income tax liabilities	1,195,842	2,246,508	1,980,544	1,151,927
Other liabilities	27,020,737	50,761,157	41,816,088	37,856,822
Total liabilities	**352,765,250**	**662,704,798**	**551,795,459**	**445,037,244**
Equity				
Share capital	16,022,570	30,100,000	28,500,000	26,500,000
Treasury shares	(97,471)	(183,109)	(10,049)	(188,874)

Capital reserves	19,149	35,973	87,146	87,146
Revenue reserves	14,230,028	26,732,531	19,481,986	15,022,670
Additional paid-in capital	37,526	70,496	70,496	150,032
Other comprehensive income	932,108	1,751,059	2,219,272	1,835,659
Retained earnings	336,472	632,096	702,383	784,821
Equity attributable to controlling shareholders	**31,480,382**	**59,139,046**	**51,051,234**	**44,191,454**
Non-controlling interest	**129,377**	**243,048**	**107,331**	**455,253**
Total equity	**31,609,759**	**59,382,094**	**51,158,565**	**44,646,707**
Total liabilities and equity	**384,375,009**	**722,086,892**	**602,954,024**	**489,683,951**

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$1.8786 per US$ 1.00, the Central Bank exchange rate on April 20, 2012. Such translations should not be construed as a representation that the Brazilian *real* amounts presented have been or could be converted into U.S. dollars at that rate.

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Exchange Rate Information

In the past years, the exchange rate between the *real* and the U.S. dollar has experienced significant variation. From 2007 to mid 2008, the *real* appreciated against the U.S. dollar. In the second half of 2008, the *real* depreciated against the U.S. dollar, from R$1.5919 per US$1.00 on June 30, 2008 to R$2.3370 per US$1.00 on December 31, 2008, mainly due to the global economic crisis that began in mid 2008. In 2009, the *real* began to appreciate against the U.S. dollar, from R$2.3370 per US$1.00 on December 31, 2008 to R$1.7412 as of December 31, 2009. In 2010, the *real* continued to appreciate against the U.S. dollar to reach R$1.6662 on December 31, 2010. In 2011, the Brazilian real depreciated 12.6% against the U.S. dollar, reaching R$1.8758 on December 31, 2011. On April 20, 2012 the exchange rate was R$ 1.8786 per US$1.00. Under the current floating exchange-rate system, the real may be subject to fluctuations and depreciation or appreciation against the U.S. dollar and other currencies.

The following table sets forth the period end, average and high and low selling rates reported by the Central Bank at closing, expressed in *reais* per US$1.00 for the periods and dates indicated:

	Closing Selling Rate for U.S. dollars – R$ per US$1.00			
Period	**Period-End**	**Average (1)**	**Maximum (1)**	**Minimum (1)**
2007	1.7713	1.9460	2.1380	1.7440
2008	2.3370	1.8287	2.3370	1.5666
2009	1.7412	2.0171	2.3784	1.7412
2010	1.6662	1.7575	1.8748	1.6662
2011	1.8758	1.6705	1.8758	1.5563
2012				
January	1.7391	1.8075	1.8758	1.7391
February	1.7092	1.7747	1.8758	1.7024
March	1.8221	1.7866	1.8758	1.7024

(1) Average, maximum and minimum of the month end rates from December of the previous period through last day of the month of the period indicated.
Source: Central Bank.

3.B. Capitalization and Indebtedness

Not applicable.

3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

3.D. Risk Factors

Macroeconomic risks

Our business and results of operations are materially affected by conditions in the global financial markets.

The disruptions experienced recently in the global capital and credit markets have led to reduced liquidity and increased credit risk premiums for many market participants, resulting in a reduction in the availability and/or increased costs of financing, both for financial institutions and their customers. Increasing or high interest rates and/or widening credit spreads have created a less favorable environment for most of our businesses and may impair the ability of some of our customers to repay debt that they owe to us, and reduce our flexibility in planning for, or reacting to, changes in their operations and the financial industry overall. Accordingly, even though the Brazilian and global economies started to recover since the first half of 2009, our results of operations are likely to continue to be affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

Since 2008, the continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy, Ireland and Portugal, has continued to reduce investor confidence globally, as has the earthquake in Japan last year and the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011. These ongoing events could negatively affect our ability and the ability of other Brazilian financial institutions to obtain financing in the global capital markets, as well as weakening the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets.

The Brazilian government exercises influence over the Brazilian economy, and Brazilian political and economic conditions have a direct impact on our business.

Our financial condition and results of operations are substantially dependent on Brazil’s economy, which in the past has been characterized by frequent and occasionally drastic intervention by the Brazilian government and volatile economic cycles.

In the past, the Brazilian government has often changed monetary, fiscal, taxation and other policies to influence the course of Brazil’s economy. We have no control over, and cannot predict, what measures or policies the Brazilian government may take in response to the current or future Brazilian economic situation or how government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

Our operations, financial condition and the market price of our shares, ADSs and common share ADSs may be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as:

- exchange-rate fluctuations;
- base interest rate fluctuations;
- domestic economic growth;
- political, social or economic instability;
- monetary policies;
- tax policy and changes in tax regimes;
- exchange controls policies;
- liquidity of domestic financial, capital and credit markets;
- our customers' ability to meet their obligations with us;
- decreases in wage and income levels;
- increases in unemployment rates;
- changes in credit regulations;
- inflation; and

- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

Currency exchange variations may have an adverse effect on the Brazilian economy and on our results and financial condition.

Our business is impacted by fluctuations in the value of the *real*. Since October 2002, and more intensively since June 2004, the *real* has gained value against the dollar, with rare moments of depreciation (reaching R$1.5593 per U.S. dollar on August 1, 2008). In 2009, the *real* returned to the trajectory of appreciation against the U.S. dollar (reaching R$1.7412/U.S. dollar at the end of the year). In 2010, the *real* continued to appreciate against the U.S. dollar to reach R$1.6662 at the end of the year. The *real* continued to appreciate against the U.S. dollar during the first half of 2011, reaching R$1.5345 on July 26, 2011. Since then, due to the deterioration of global economic conditions and the COPOM decision to loosen monetary policy, the *real* began to depreciate and reached R$1.8758 per U.S. dollar on December 31, 2011. However, macroeconomic fundamentals and the current global situation (abundant liquidity, high risk appetite and rising commodity prices) suggest that the indicators of currency appreciation are still present.

As of December 31, 2011, the net balance of our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 1.2% of our total assets. When the Brazilian currency is devalued or if it depreciates, we incur losses on our liabilities denominated in, or indexed to, foreign currency, such as our U.S. dollar denominated long term debt and foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currency, as the liabilities and assets are translated into *reais*. Therefore, if our liabilities denominated in, or indexed to, foreign currency significantly exceed our monetary assets denominated in, or indexed to, foreign currency, including any financial instruments entered into for hedging purposes, a large devaluation or depreciation of the Brazilian currency could materially and adversely affect our financial results and the market price of our shares, ADSs and common shares ADSs, even if the value of the liabilities has not changed in their original currency. In addition, our lending operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation or depreciation of the U.S. dollar may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

Conversely, when the Brazilian currency appreciates, we incur losses on our monetary assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, and our liabilities denominated in, or indexed to, foreign currency decrease, as the liabilities and assets are translated into *reais*. Therefore, if our monetary assets denominated in, or indexed to, foreign currency significantly exceed our liabilities denominated in, or indexed to, foreign currency, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the monetary assets has not changed in their original currency.

If Brazil experiences substantial inflation in the future, our revenues and our ability to access foreign financial markets may be reduced.

Brazil has, in the past, experienced extremely high rates of inflation. Brazil's rates of inflation, as measured by the Índice Geral de Preços Disponibilidade Interna (the General Price Index – Domestic Availability or IGP-DI"), reached (1.4)%, 11.3% and 5.0% as of December 31, 2009, 2010 and 2011, respectively. Inflation, along with government measure to combat inflation and public speculation about possible future government measures, has had significant negative effects on the Brazilian economy and contributed to increase economic uncertainty in Brazil and heighten volatility in the Brazilian securities markets, which may have an adverse effect on us.

Government measures to combat inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. Increases in the Sistema Especial de Liquidação e Custódia rate (Special Clearing and Settlement System rate), or the SELIC rate, the base interest rate established by the COPOM, may have an adverse effect on us by reducing demand for our credit, and increasing our cost of funds, domestic debt expense and the risk of customer default. Decreases in the SELIC rate may also have an adverse effect on us by decreasing the interest income we earn on our interest-earning assets and lowering our revenues and margins.

Future Brazilian government actions, including interest rate decreases, intervention in the foreign exchange market and actions to adjust or fix the value of the real may trigger increases in inflation. An example of a government measure to keep the inflation rates under control, occurred in the beginning of 2011, when credit regulation was changed in order to include limitations on certain kinds of loans to individuals, loans for the acquisition of vehicles and payroll-deductible loans, but most of these measures were reversed in the end of 2011, as an incentive for economic growth. If Brazil experiences fluctuations in rates of inflation in the future, our costs and net margins may be affected and, if investor confidence lags, the price of our securities may fall. Inflationary pressures may also affect our ability to access foreign financial markets and may lead to counter-inflationary policies that may have an adverse effect on our business, financial condition, results of operations and the market value of our shares, ADSs and common share ADSs.

Changes in base interest rates by the COPOM may materially adversely affect our margins and results of operations.

The COPOM establishes the base interest rates for the Brazilian banking system. The base interest rate was 8.75%, 10.75% and 11.0% per year as of December 31, 2009, 2010 and 2011, respectively. Changes in the base interest rate may adversely affect our results of operations because:

- high base interest rates increase our domestic debt expense and may increase the likelihood of customer defaults; and

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- low base interest rates may diminish our interest income.

The COPOM adjusts the base interest rate in order to manage aspects of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the base interest rates set by the COPOM or how often such rates are adjusted.

Developments and the perception of risk in Brazil and other countries, especially emerging market countries, may adversely affect the market price of Brazilian securities, including our shares, ADRs and common share ADRs ("American Depositary Receipts").

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect the market value of our shares, ADRs and common share ADRs.

The recent global financial crisis has had significant consequences worldwide, including in Brazil, such as capital markets volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates and inflationary pressure, among others, which had, and may continue to have in the future, directly or indirectly, an adverse effect on our business, financial condition, results of operation, the market price of securities of Brazilian issuers, including ours, and our ability to finance our operations.

Risks relating to Bradesco and the Brazilian banking industry

We may experience increases in our level of past due loans as our loans and advances portfolio becomes more seasoned.

Our loans and advances portfolio has grown substantially since 2004, primarily as a result of the expansion of the Brazilian economy. Any corresponding increase in our level of non-performing loans and advances may be lower than the rate of loan growth, as loans typically do not become due within a short period of time after their origination. Levels of past due loans are higher among our individual customers than our corporate customers. From 2009 to 2011, our portfolio of loans and advances to customers increased by 39.3% and our level of non-performing loans increased by 31.3%, driven by increases in the number of individual customers.

Beginning in mid-2008, weakening economic conditions in Brazil led to a rise in unemployment, which in turn led to increases in our level of past due loans, particularly in our individual customers portfolio. This trend of increasing levels of past due loans worsened in 2009. In 2010, there was an improvement in the

The recent global financial crisis has had significant consequences worldwide, including in Brazil, such as capital m

delinquency indicators of our customers due to economic recovery in Brazil, which was reflected in a reduction of our net impairment losses on loans and advances. Our levels of non-performing loans and advances increased in 2011, leading to an increase of 14.9% in our impairment on loans and advances compared to 2010, while our portfolio of loans and advances grew by 16.8% over the same period. However, if economic conditions in Brazil deteriorate, we may be required to increase our impairment of loans and advances in the future.

Rapid loan growth may also reduce our ratio of non-performing loans to total loans until growth slows or the portfolio becomes more seasoned. Adverse economic conditions and a slower growth rate for our loans and advances to customers may result in increases in our impairment of loans and advances, charge-offs and our ratio of non-performing loans to total loans, which may have an adverse effect on our business, financial condition and results of operations.

Adverse conditions in the credit and capital markets may adversely affect our ability to access funding in a cost effective and/or timely manner.

Recent volatility, disruption and uncertainty in the credit and capital markets have generally decreased liquidity, resulting in increased costs of funding for financial institutions and corporations. These conditions may impact our ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute our growth strategy. If we are forced to delay raising capital or pay unattractive interest rates in order to obtain capital, our financial condition and results of operations may be adversely affected.

The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects.

The markets for financial, banking and insurance services in Brazil are highly competitive. We face significant competition in all of our principal areas of operation from other large Brazilian and international banks and insurance companies, public and private.

Competition has increased as a result of recent consolidations among financial institutions in Brazil and as a result of regulations by the National Monetary Committee (Conselho Monetário Nacional), or "CMN" that facilitate customers' ability to switch business between banks. The increased competition may materially and adversely affect us as it may, among other things, limit our ability to retain and increase our existing consumer base and expand our operations; and reduce our profit margins on banking services to the extent it limits investment opportunities.

Additionally, Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the presence of foreign banks and insurance companies in Brazil, some of which have greater resources than us, has grown and competition both in the banking and insurance sectors generally and in markets for specific products has increased. The privatization of publicly owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The increased competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our customer base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products offered by us; and
- increasing competition for foreign investment opportunities.

Losses on our investments in financial assets may have a significant impact on our results of operations and are not predictable.

The value of certain of our investments in financial assets may decline significantly due to volatile financial markets and may fluctuate over short periods of time. As of December 31, 2011, investments in financial assets represented 20.2% of our assets, and realized investment gains and losses have had and will continue to have a significant impact on our results of operations. The amounts of such gains and losses, which we record when investments in financial assets are sold, or in certain limited circumstances where they are marked to market or recognized at fair value, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon our investment policies and upon the market value of the financial assets, which in turn may vary considerably. We cannot predict the amount of realized gain or loss for any future period, and our management believes that variations from period to period have no practical analytical value. Furthermore, any gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation now existing in our consolidated investment portfolio or any portion thereof.

We may incur losses associated with counterparty exposures.

We face the possibility that a counterparty will be unable to honor its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in complex markets where the risk of failure of counterparties is higher.

Our trading activities and derivatives transactions may produce material losses.

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or interest rates or against decreases in such rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. Such losses could materially and adversely affect our future results of operations and cash flow.

The Brazilian government regulates the operations of Brazilian financial institutions and insurance companies, and changes in existing laws and regulations or the imposition of new laws and regulations may negatively affect our operations and revenues.

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory deposit/reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- solvency margins;
- minimum coverage; and
- mandatory provisioning policies.

The regulatory structure governing Brazilian banks and insurance companies is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Such changes could materially adversely affect our operations and our revenues.

In particular, the Brazilian government has historically enacted regulations affecting financial institutions in an effort to implement its economic policies. These regulations are intended to control the availability of credit and reduce or increase consumption in Brazil. These changes may adversely affect us because our returns on compulsory deposits are lower than those we obtain on our other investments.

Parts of our business that are not currently subject to government regulation may become regulated in the future. For example, there are several legislative proposals currently under discussion in the Brazilian congress to regulate the credit card industry. Some of these proposals aim at increasing competition in the industry and limiting the fees charged by credit card companies. On November 25, 2010, for example, the Central Bank issued new regulations on fees charged by financial institutions, including criteria for calculating minimum credit card payments. Such rules, which are applicable to agreements executed after June 1, 2011 (and which will be applicable starting on June 1, 2012 to agreements executed before June 1, 2011), set forth, among other things, that only five types of fees can be charged, including annual fee, fees with respect to issuance of a second card, cash withdrawal, payment of accounts and emergency request of increase in the credit limits; and that the minimum payment of the monthly invoices cannot be less than 20.0% of their total amount. New regulations affecting the credit card industry may have a material adverse effect on the revenues from our credit card business. Such new regulations and other regulatory changes affecting other businesses in which we are engaged, including our broker dealer and leasing operations, could have an adverse effect on our operations and our revenues.

A majority of our common shares is held by one shareholder, whose interests may conflict with our other investors' interests.

As of December 31, 2011, Fundação Bradesco directly and indirectly held 56.49% of our common shares. As a result, Fundação Bradesco has the power, among other things, to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve related party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's by-laws, members of our Diretoria Executiva, or Board of Executive Officers, and departmental officers that have been working at the Organization for more than ten years serve as members of the board of trustees of Fundação Bradesco. The board of trustees has no other members. Decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions could be made by Fundação Bradesco which may be contrary to the interests of holders of common shares, and which may have a negative impact on the interests of holders of common shares. For more information on our shareholders, see "Item 7.A. Major Shareholders."

Changes in regulations regarding reserve and compulsory deposit requirements and taxes may reduce operating margins.

The Central Bank has periodically changed the level of compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank. For example, in February 2010, the Central Bank increased compulsory deposit requirements on time deposits. Then, in June 2010, it increased compulsory deposit requirements on demand deposits. In December 2010, it increased compulsory deposit requirements again on time deposits and also increased additional compulsory deposit requirements.

In January 2011, the Central Bank also required compulsory deposits and mandatory reserves on short foreign-currency positions. Some of the rules relating to compulsory deposits were altered by the Central Bank in March 2011, with the main objective of encouraging mid-sized banks to increase their capital using profits earned in 2010. In July 2011, the CMN consolidated and redefined mandatory reserve rules for short foreign-currency positions.

In December 2011, Central Bank Circular No. 3,569 consolidated and redefined certain rules for compulsory deposits requirements on time deposits. One of the main changes was the inclusion of financial notes in the list of assets eligible for deduction from compulsory reserves requirements on time deposits. Some provisions relating to compulsory deposits on time deposits were again altered by the Central Bank in February 2012, in order to stimulate the acquisition of credit portfolios of smaller banks by the larger banks, by allowing a certain portion of the funds that would be kept without remuneration to be invested in such new portfolios. With such measure, the Central Bank expected to create greater liquidity to smaller institutions. On March 2012, the Central Bank allowed the deduction of rural credits from demand deposit requirements, a measure which the Central Bank expected to result in additional R$3 billion in loans and financings to agriculture and cattle farming.

The Central Bank may raise reserve requirements and compulsory deposits in the future, or it may impose new reserve requirements and compulsory deposits.

Compulsory deposits generally yield lower returns than our other investments and deposits because:

- a portion of our compulsory deposits does not earn interest from the Central Bank;

- a portion of our compulsory deposits must finance a federal housing program, the Brazilian rural sector, low income customers and small enterprises under a program referred to as a "microcredit program."

As of December 31, 2011, our compulsory deposits in connection with demand, savings and time deposits and additional compulsory deposits were R$71.2 billion. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. For more information on compulsory deposits, see "Item 4.B. Business Overview-Deposit-taking activities."

Changes in taxes and other fiscal assessments may adversely affect us.

The Brazilian Government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes and the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing portfolio of loans and advances.

The Brazilian Constitution used to establish a ceiling on loan interest rates, including bank loan interest rates, and the impact of the subsequent legislation regulating the subject is uncertain.

Article 192 of the Brazilian Constitution, enacted in 1988, established a 12% per year ceiling on bank loan interest rates. However, since the enactment of the Constitution, this rate had not been enforced, as the regulation regarding the ceiling was pending. The understanding that this ceiling is not yet in force has recently been confirmed by *Súmula Vinculante* No. 7, a final binding decision enacted in 2008 by the Brazilian Supreme Court in accordance with such Court's prior understanding on this matter. Since 1988, several attempts were made to regulate the limitation on loan interest, and especially bank loan interest rates, but none of them were implemented nor have been confirmed by Brazilian superior courts.

On May 29, 2003, Constitutional Amendment No. 40 (or EC 40/03) was enacted and revoked all subsections and paragraphs of Article 192 of the Brazilian Constitution. This amendment allows the Brazilian Financial System, or "SFB", to be regulated by specific laws for each sector of the system rather than by a single law relating to the system as a whole.

With the enactment of the new Civil Code (or Law No. 10,406 of January 10, 2002), as amended, unless the parties to a loan have agreed to use a different rate, in principle the interest rate ceiling has been pegged to the base rate charged by the National Treasury. Currently, this base rate is the SELIC, which was 9.0% *per annum* as of April 19, 2012. However, there is presently some uncertainty as to whether the SELIC or the 12% *per annum* interest rate established in the Tax Code should apply.

The impact of EC 40/03 and the provisions of the New Civil Code are uncertain at this time but any substantial increase or decrease in the interest rate ceiling could have a material effect on the financial condition, results of operations or prospects of Brazilian financial institutions, including us.

Additionally, certain Brazilian courts have issued decisions in the past limiting interest rates on consumer financing transactions that are considered abusive or excessively onerous in comparison with market practice. Brazilian courts' future decisions as well as changes in legislation and regulations restricting interest rates charged by financial institutions could have an adverse effect on our business.

Our losses in connection with insurance claims may vary from time to time and differences between the losses from actual claims and underwriting and reserving assumptions may have an adverse effect on us.

Our results of operations significantly depend upon the extent to which our actual claims are consistent with the assumptions we used to assess our potential future policy and claim liabilities and to price our insurance products. We seek to limit our responsibility and price our insurance products based on the expected payout of benefits, calculated using several factors, such as: assumptions for investment returns, mortality and morbidity, expenses, persistency, and certain macroeconomic factors, such as inflation and interest rates. These assumptions may deviate from our prior experience, including due to factors beyond our control such as natural disasters (floods, explosions and fires) and man-made disasters (riots, gang or terrorist attacks) or changes in mortality and morbidity rates as a result of advances in medical technology and longevity, among others. Therefore, we cannot determine precisely the amounts that we will ultimately pay to settle these liabilities, when these payments will need to be made, or whether the assets supporting our policy liabilities, together with future premiums, will be sufficient for payment of these liabilities. These amounts may vary from the estimated amounts, particularly when those payments do not occur until well in the future, which is the case with certain of our life insurance products. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, we may be required to increase our provisions, which may have an adverse effect on our cash flow.

If our actual losses exceed our provisions on risks that we underwrite, we could be adversely affected.

Our results of operations and financial condition depend upon our ability to accurately assess the actual losses associated with the risks that we underwrite. Our current provisions are based on estimates that rely on then-available information and that involve a number of features including recent loss experience, current economic conditions, internal risk rating, actuarial and statistical projections of our expectations of the cost of the ultimate settlement of claims, such as estimates of future trends in claims severity and frequency, judicial theories of liability, the levels of and/or timing of receipt or payment of premiums and rates of retirement, mortality, morbidity and persistency, among others. Accordingly, the establishment of provisions is inherently uncertain and our actual losses usually deviate, sometimes substantially, from such estimates. Deviations occur for a variety of reasons. For example, if we record our impairment of loans and advances based on estimates of incurred losses, it might not be sufficient to cover losses; we might have an increased number of claims; or our costs could be higher than the costs we estimated. If actual losses materially exceed our provisions, we could be adversely affected.

We are jointly liable for claims of our customers if our reinsurers fail to meet their obligations under the reinsurance contracts.

The purchase of reinsurance does not hold us harmless against our liability towards our customers if the reinsurer fails to meet its obligations under the reinsurance contracts. As a result, reinsurers' insolvency or failure to make timely payments under these contracts could have an adverse effect on us, given that we remain responsible before our policyholders.

Our strategy of marketing and expanding Internet banking in Brazil could be badly received or more expensive than lucrative.

We have aggressively pursued the use of the Internet for banking and to provide other services to our customers and expect to continue to do so. However, the market for our Internet products is rapidly evolving and is becoming increasingly competitive. We cannot predict whether, or how fast, this market will grow. Moreover, if we fail to adapt effectively to growth and change in the Internet market and technology, our business, competitiveness, or results of operations could be adversely affected.

The Internet may prove not to be a viable Brazilian commercial marketplace for a number of reasons, including a lack of acceptable security technologies, potentially inadequate development of the necessary infrastructure, the lack of necessary development and commercialization of performance improvements, or a perceived unreliability of our systems by our customers.

A failure in, or breach of, our operational or security systems could temporarily interrupt our businesses, increasing our costs and causing losses.

Although we have high profile information security controls, continuing investments in infrastructure and operations and crisis management in place, our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly for a limited period of time or become temporarily disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as: electrical or telecommunications outages; breakdowns, systems failures or other events affecting third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services; events arising from local and larger-scale political or social matters and cyber attacks.

Cyber attacks and temporary interruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or could result in customer attrition, regulatory fines, penalties or intervention, reimbursement or other compensation costs.

Risks relating to our shares, ADSs and common shares ADSs

The preferred shares and ADSs generally do not give their holders voting rights.

Under Brazilian corporate law (Brazilian Law No. 6,404/76, as amended by Law No. 9,457/97 and Brazilian Law No. 10,303/01, which we refer to collectively as "Brazilian Corporate Law") and our bylaws, holders of our preferred shares, and therefore of our ADSs, representing our preferred shares, are not entitled to vote at our shareholders' meetings, except in limited circumstances. This means, among other things, that holders of ADSs are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies.

In addition, with respect to common share voting rights and the limited circumstances where preferred shareholders are able to vote, ADS and common share ADS holders may exercise voting rights with respect to our shares represented by ADSs and common share ADSs only in accordance with the provisions of the Deposit Agreements relating to the ADSs and common share ADSs. There are no provisions in Brazilian law or in our bylaws that limit ADS or common share ADS holders' ability to exercise their voting rights through the depositary bank with respect to the underlying shares. However, there are practical limits to the ability of ADS and common share ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, our shareholders will either be notified directly or through notification published in Brazilian newspapers and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS and common share ADS holders, on the other hand, will not receive notice directly from us. Instead, in accordance with the Deposit Agreements, we will send notice to the depositary bank, which will, in turn, as soon as possible, mail the notice of such a meeting to holders of ADSs and common share ADSs with a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS and common share ADS holders must then instruct the depositary bank how to vote the shares represented by their ADSs or common share ADSs. Because of this extra procedural step involving the depositary bank, the process for exercising voting rights will take longer for ADS and common share ADS holders than for holders of our shares. ADSs and common share ADSs for which the depositary bank does not receive voting instructions in good time will not be able to vote at a meeting.

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit its ability to sell shares underlying the ADSs and common share ADSs at the price and time you desire.

Investing in securities that trade in emerging markets such as Brazil often involves greater risk than investing in securities of issuers in other countries, and these investments are generally considered more speculative in nature. The Brazilian securities market is substantially smaller and less liquid than major securities markets, such as the United States, and may be more volatile. Although you are entitled to withdraw our shares underlying the ADSs or common share ADSs from the depositary bank at any time, your ability to sell our shares underlying the ADSs or common share ADSs at a price and time acceptable to you may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets such as the United States or other countries. The ten largest companies in terms of market capitalization accounted for 51.6% of the aggregate market capitalization of the BM&FBovespa in March 2012.

Our shares, ADSs and common share ADSs do not entitle you to a fixed or minimum dividend.

Holders of our shares, ADSs and common share ADSs are not entitled to a fixed or minimum dividend. Pursuant to our bylaws, our preferred shares are entitled to dividends 10% higher than those assigned to our common shares. Although under our current bylaws we are obligated to pay our shareholders at least 30% of our annual adjusted net income, the shareholders attending our Annual Shareholders' meeting may decide to suspend this mandatory distribution of dividends if the Board of Directors advises that payment of the dividend is not compatible with our financial condition. Neither our bylaws nor Brazilian law specifies the circumstances in which a distribution would not be compatible with our financial condition, and our controlling shareholders have never suspended the mandatory distribution of dividends. However, general Brazilian practice is that a company need not pay dividends if such payment would endanger the existence of the company or harm its normal course of operations.

As a holder of ADSs or common share ADSs you will have fewer and less well defined shareholders' rights than in the United States and certain other jurisdictions.

Our corporate affairs are governed by our bylaws and Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Brazil. Under Brazilian Corporate Law, you and the holders of our shares may have fewer and less well defined rights to protect your interests relative to actions taken by our Board of Directors or the holders of our common shares than under the laws of other jurisdictions outside Brazil.

Although Brazilian Corporate Law imposes restrictions on insider trading and price manipulation, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or markets in certain other jurisdictions. In addition, in Brazil, self dealing and the preservation of shareholder interests may be less heavily regulated and regulations may not be as strictly enforced in Brazil as in the United States, which could potentially disadvantage you as a holder of our shares underlying ADSs or common share ADSs. For example, compared to Delaware general corporation law, Brazilian Corporate Law and practice have less detailed and well established rules and judicial precedents relating to review of management decisions under duty of care and duty of loyalty standards in the context of corporate restructurings, transactions with related parties, and sale-of-business transactions. In addition, shareholders in Delaware companies must hold 5% of the outstanding share capital of a corporation to have valid standing to bring shareholder derivative suits, while shareholders in Brazilian companies do not normally have valid standing to bring a class action.

It may be difficult to bring civil liability causes against us or our directors and executive officers.

We are organized under the laws of Brazil, and all of our directors and executive officers reside outside the United States. In addition, a substantial portion of our assets and most or all of the assets of our directors and executive officers are located in Brazil. As a result, it may be difficult for investors to effect service of process within the United States or other jurisdictions outside of Brazil on such persons or to enforce judgments against them, including any based on civil liabilities under the U.S. federal securities laws.

If we issue new shares or our shareholders sell shares in the future, the market price of your ADSs or common share ADSs may be reduced.

Sales of a substantial number of shares, or the belief that this may occur, could decrease the market price of our shares, ADSs and common share ADSs by diluting our shares' value. If we issue new shares or our existing shareholders sell the shares they hold, the market price of our shares and therefore of our ADSs and common share ADSs, may decrease significantly.

You may be unable to exercise preemptive rights relating to our shares.

You will not be able to exercise preemptive rights relating to our shares underlying your ADSs or common share ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Similarly, we may from time to time distribute rights to our shareholders. The depositary bank will not offer rights to you as a holder of the ADSs or common share ADSs unless the rights are either registered under the Securities Act or are subject to an exemption from the registration requirements. We are not obligated to file a registration statement with respect to the shares or other securities relating to these rights, and we cannot assure you that we will file any such registration statement. Accordingly, you may receive only the net proceeds from the sale by the depositary bank of the rights received in respect of the shares represented by your ADSs or common share ADSs or, if the preemptive rights cannot be sold, they will be allowed to lapse. You may also be unable to participate in rights offerings by us, and your holdings may be diluted as a result.

If you exchange your ADSs or common share ADSs for their underlying shares, you risk losing Brazilian tax advantages and the ability to remit foreign currency abroad.

Brazilian law requires that parties obtain registration with the Central Bank in order to be allowed to remit foreign currencies, including U.S. dollars, abroad. The Brazilian custodian for the shares must obtain the necessary registration with the Central Bank for payment of dividends or other cash distributions relating to the shares or after disposition of the shares. If you exchange your ADSs or common share ADSs for the underlying shares, however, you may only rely on the custodian's certificate for five business days from the date of exchange. Thereafter, you must obtain your own registration in accordance with the rules of the Central Bank and the Brazilian Securities Commission (*Comissão de Valores Mobiliários,* or CVM), in order to obtain and remit U.S. dollars abroad after the disposition of the shares or the receipt of distributions relating to the shares. If you do not obtain a certificate of registration, you may not be able to remit U.S. dollars or other currencies abroad and may be subject to less favorable tax treatment on gains with respect to the shares. For more information, see "Item 10.D. Exchange Controls."

If you attempt to obtain your own registration, you may incur expenses or suffer delays in the application process, which could delay your receipt of dividends or distributions relating to the shares or the return of your capital in a timely manner. The custodian's registration and any certificate of foreign capital registration you may obtain may be affected by future legislative changes. Additional restrictions applicable to you, to the disposition of the underlying shares or to the repatriation of the proceeds from disposition may be imposed in the future.

ITEM 4. INFORMATION ON THE COMPANY

4.A. History, Development of the Company and Business Strategy

The company

We were founded in 1943 as a commercial bank under the name "Banco Brasileiro de Descontos S.A." In 1948, we began a period of aggressive expansion, which led to our becoming the largest private sector (non government controlled) commercial bank in Brazil by the end of the 1960s. We expanded our activities nationwide during the 1970s and conquered urban and rural markets in Brazil. In 1988 we merged with our real estate finance, investment bank and consumer credit subsidiaries to become a multiple service bank and changed our name to Banco Bradesco S.A.

We are currently one of the largest private sector banks in Brazil in terms of total assets. We offer a wide range of banking and financial products and services in Brazil and abroad to individuals, large, mid sized and small companies and major local and international corporations and institutions. We have the most extensive private sector branch and service network in Brazil, allowing us to reach a diverse customer base. Our products and services encompass banking operations such as loans and advances and deposit taking, credit card issuance, purchasing consortiums, insurance, leasing, payment collection and processing, pension plans, asset management and brokerage services.

According to information published in December 2011 by SUSEP and by ANS, we are the largest insurance, pension plan and capitalization bond group in Brazil on a consolidated basis in terms of insurance premiums, pension plan contributions and income from capitalization bonds. *Título de capitalização,* or "capitalization bond," refers to a type of savings account combined with periodic cash-prize draws.

In 2011, some of our subsidiaries ranked among the largest companies in Brazil in their respective markets, according to the sources cited in parentheses below, including:

- *Bradesco Seguros S.A.* ("Bradesco Seguros"), our insurance subsidiary, together with its subsidiaries, leader in terms of insurance premiums, equity and technical reserves (SUSEP and ANS):

-– *Bradesco Vida e Previdência S.A.* ("Bradesco Vida e Previdência"), Bradesco Seguros' subsidiary is the largest company in the market in terms of private pension plan contributions, investment portfolios and technical provisions (SUSEP);

-– *Bradesco Capitalização S.A.* ("Bradesco Capitalização"), Bradesco Seguros' subsidiary offers capitalization bonds. Bradesco Capitalização is the leading private company in the market in terms of revenue from the sale of capitalization bonds (SUSEP);

-– *Bradesco Auto/RE Companhia de Seguros S.A.* ("Bradesco Auto/RE"), Bradesco Seguros' subsidiary is one of the largest companies in its segment, offering automobile insurance, property/casualty and liability products (SUSEP); and

-– *Bradesco Saúde S.A.* ("Bradesco Saúde"), Bradesco Seguros' subsidiary offers health insurance, including coverage of medical and hospital expenses. Bradesco Saúde has one of the largest networks of healthcare service providers and is the health insurance market leader (ANS).

- *Bradesco Leasing S.A. Arrendamento Mercantil* ("Bradesco Leasing"), is one of the leaders in terms of the present value of leasing portfolio (ABEL); and

- *Bradesco Administradora de Consórcios Ltda.* ("Bradesco Consórcios"), market leader in its segment with 625,763 outstanding purchasing consortium quotas (Central Bank).

We are also one of the leaders among private sector financial institutions in asset management and underwriting debt securities, according to information published by the Brazilian Association of Financial and Capital Markets Entities - ANBIMA.

As of December 31, 2011, we had, on a consolidated basis:

- R$722.1 billion in total assets;
- R$263.5 billion in total loans and advances;
- R$217.4 billion in total deposits;
- R$59.4 billion in equity, including non-controlling interest;
- R$99.1 billion in technical reserves for our insurance and pension plan business;
- R$35.3 billion in foreign trading financing;
- 29.5 million insurance policyholders (excluding Odontoprev);
- 25.1 million checking account holders;

- 43.4 million savings accounts;
- 3.1 million capitalization bonds holders;
- 2.2 million pension plan holders;
- 1,307 Brazilian and multinational corporations with affiliated companies in Brazil as "Corporate" customers;
- an average of 17.2 million daily transactions, including 2.1 million in our 4,634 branches and 15.1 million through self-service outlets, mainly Automatic Teller Machines, or ATMs, the Internet, and telephone and mobile services (*Fone Fácil* and *Bradesco Celular*);
- a nationwide network consisting of 4,634 branches and 4,429 special points of banking services located on the premises of selected corporate customers, 34,516 ATMs, and 12,455 shared ATMs under the Banco24Horas brand (among Bradesco, Banco do Brasil S.A. or "Banco do Brasil" and Banco Santander) for cash withdrawals, obtaining statements and account balance information, loans, payments and transfers between accounts; and
- a total of 3 branches and 9 subsidiaries located in New York, London, the Cayman Islands, Tokyo, Buenos Aires, Luxembourg, Hong Kong and Mexico.

Since 2009, we have been doing business in every single one of the municipalities in Brazil. Our extensive banking network takes us closer to our customers, providing our managers with information on economically active regions and other key conditions for our business. This knowledge helps us to assess and limit risks in loans, among other risks, as well as to service the particular needs of our customers.

We are a business corporation organized under the laws of Brazil. Our headquarters is in Cidade de Deus, Vila Yara, 06029 900, Osasco, SP, Brazil, and its telephone number is (55-11) 3684-4011. Our New York Branch is located at 450 Park Avenue, 32nd floor, New York 10022-2605.

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Recent acquisitions

In May, 2011, we acquired 96.99% of the common shares and 95.21% of the preferred shares, corresponding to 96.23% of the capital stock of Banco do Estado do Rio de Janeiro S.A. ("BERJ") from the Government of the State of Rio de Janeiro. As part of the acquisition, we also acquired the right to provide services to the Government of the State of Rio de Janeiro including its payroll, supplier payroll, the collection of state taxes among other services from January 2012 to December 2014. This transaction expands our presence in the State of Rio de Janeiro. Special shareholders' meetings held in November 2011 voted to alter its name to Banco BERJ S.A. Bradesco's process of assuming control of BERJ was ratified by the Central Bank in November, 2011.

2010 and 2009 acquisitions

In July 2010, Bradesco announced the acquisition of 10.67% of the capital stock of Companhia Brasileira de Soluções e Serviços ("CBSS") for R$141.4 million. In January 2011, Bradesco announced the acquisition of an additional 5.01% of CBSS's capital stock for R$85.8 million. As a result, Bradesco increased its total ownership interest in CBSS to 50.01%.

In July 2010, Bradesco concluded the acquisition of 2.09% of the capital stock of Cielo S.A. ("Cielo"), for a total consideration of R$431.7 million, increasing its ownership interest in Cielo to 28.65%.

In June 2010, Bradesco concluded the acquisition of the entire capital stock of the controlling group of Ibi Services S. de R.L. México ("Ibi México") and of RFS Human Management de R.L., a subsidiary of Ibi México. This transaction includes a partnership contract with C&A México S. de R.L. (C&A México) for a period of 20 years for the exclusive joint sale of financial products and services through C&A México chain stores.

In October 2009 we announced that the board of directors of Odontoprev S.A. ("Odontoprev") and Bradesco, the latter as indirect controlling shareholder of Bradesco Dental S.A. ("Bradesco Dental"), entered into a joint venture agreement in the dental insurance sector. Under the merger plan, Bradesco Dental became a wholly-owned subsidiary of Odontoprev, and Bradesco Saúde, the direct controlling company of Bradesco Dental, received shares representing 43.50% of Odontoprev's total capital. Together, Bradesco Saúde (43.50%) and Odontoprev's major shareholder, Mr. Randal Luiz Zanetti (7.56%), entered into a shareholders' agreement to hold 51.06% of the company's capital.

In June 2009, we entered into an agreement to acquire Ibi Participações S.A ("Ibi Participações"), Banco Ibi S.A. ("Banco Ibi") and its subsidiaries, for a total consideration of R$1.5 billion, paid to the former controlling shareholders in shares representing approximately 1.6% of Bradesco's capital stock. Banco Ibi is among the main credit card issuers in Brazil, both in the private label segment as well as in branded cards, and its acquisition substantially strengthened our position in both markets. The transaction includes a partnership with C&A Modas Ltda. ("C&A"), a leader in the fashion and clothing markets, under which Bradesco started offering its financial products and services at C&A stores, for 20 years.

Bradesco announced in April 2009 that through its subsidiary, Bradesco Seguros e Previdência, it acquired 20% of the voting capital and total capital stock of Integritas Participações S.A. (“Integritas”), a holding company of Grupo Fleury (“Fleury”) for R$342 million. Fleury, which has operated for the past 83 years, is one of Brazil's most renowned and respected medical and health organizations. It provides diagnosis, clinical treatment and medical analysis services and is a reference center for complex medical tests for some 1,500 clinical laboratories and hospitals.

Other strategic alliances

In April 2011, we launched “Elo" in partnership with Banco do Brasil and Caixa Econômica Federal, a new Brazilian card flag that gives customers more choice and strengthens the Bank's portfolio. The Elo flag includes: (i) Elo Serviços S.A. (“Elo Serviços”), the owner and manager of the Elo brand “Elo” of debit, credit and pre-paid cards; (ii) the activities of CBSS, which will be directly or indirectly integrated into Elo Participações (“Elo Participações”); (iii) our ownership interest in IBI Promotora de Vendas Ltda. (“IBI Promotora”), which will be sold to CBSS; and (iv) our ownership interest in Fidelity Processadora e Serviços S.A. (“FPS”), which will be sold to CBSS. The transactions will be completed upon satisfactory negotiation of the final documents and compliance with the applicable legal and regulatory requirements.

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In 2011, Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários (BRAM) moved forward with its internationalization strategy by setting up a fund for small and medium cap Brazilian stocks. In December 2010, it launched a new fund to invest in dollar-denominated securities issued abroad by Brazilian companies and the National Treasury. These new funds are now part of the family of investment funds called "Bradesco Global Funds," which was launched by Bradesco in September 2009. These funds are domiciled in Luxemburg and are marketed exclusively to foreign investors. Bradesco Global Funds is an umbrella structure that provides investors with a series of investment funds, each with different investment objectives.

In September 2010, we announced the sale of our controlling interest in CPM Braxis S.A. (CPM) to Capgemini S.A., reducing our ownership interest in CPM to 20%.

In August 2010, Bradesco Seguros, ZNT Empreendimentos S.A. ("ZNT") and Odontoprev signed a non-binding memorandum of understanding with BB Seguros S.A. ("BB Seguros"), for developing and marketing products in the dental market.

In February 2010, we entered into a non-binding memorandum of understanding with Banco do Brasil and Banco Santander S.A. ("Santander Brasil") to facilitate consolidation of operations of our respective networks of external self-service terminals (ATMs located outside branches). By concluding this transaction, we hope to have a business model that will facilitate our customers' access to some 11,000 ATMS located outside branches.

Banco Postal

On December 2011, we ceased our partnership with Empresa Brasileira de Correios e Telégrafos, or ECT, (the government owned postal company) and will not continue with the Postal Bank (*Banco Postal*) in January 2012.

However, customers who used the services of the Postal Bank remain Bradesco clients, and will be supported by its extensive network of branches and service centers. The clients have complete and quality service wherever they are.

Bradesco Expresso - Correspondent Bank

Bradesco Expresso is a fundamental part of our strategy to replace the partnership we formerly had with ECT for the Postal Bank. Bradesco Expresso has enabled us to expand our share in the correspondent bank segment through partnerships with supermarkets, drugstores, department stores and other retail chains, with a presence in all Brazilian cities which are not served by the banking branch network.

The main services we offer through Bradesco Expresso are:

- receipt and submission of account applications;
- receipt and submission of loans, financing and credit card applications;
- withdrawals from checking accounts and savings accounts;
- Social Security National Service ("INSS") benefit payments;
- checking and savings account deposits;
- checking accounts, savings accounts and INSS balance statements;
- receipt of consumption bills, bank charges and taxes; and
- prepaid mobile top-up.

On December 31, 2011, the Bradesco Expresso network totaled 34,839 implemented outlets, of which 8,735 were new outlets. During 2011, Bradesco Expresso had an average of 28.2 million monthly transactions or 1.3 million daily transactions.

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Business strategy

The key elements of our strategy are (i) to consolidate and expand our position as one of the leading financial institutions and insurance providers in Brazil, (ii) maximize shareholder value and (iii) maintain high standards of corporate responsibility and sustainability. We intend to pursue the following strategies to reach these goals:

Consolidate and build upon our service network and brand as one of the leading financial institutions and insurance providers in Brazil which offers a complete portfolio of products and services to all levels of society.

We believe that our position as one of the leading financial institutions in Brazil, with a presence in all Brazilian regions through a broad network of distribution channels and with exposure to individuals of all income levels as well as large, mid sized and small businesses, will allow us to maintain the organic growth strategy. We will also continue to expand the insurance, pension and capitalization bonds business segment, in order to consolidate our leadership in this sector. As part of this strategy, we intend to increase the sales of our traditional banking, insurance, pension and capitalization bonds products through our wide branch network, our internet distribution services and other distribution channels. We are committed to investing significantly in our IT platform to support such growth. In addition, we intend to continue to leverage our relationships with corporate clients and high-income individuals to further develop our investment banking, private banking and asset management operations through Bradesco BBI, Banco Bradesco Europa, Bradesco Securities and other subsidiaries in Brazil and other key financial centers such as London, New York, Hong Kong and Tokyo.

Maintain asset quality and operational risk levels.

We are focused on sustainable growth to ensure our standards in relation to our asset quality and risk levels. We intend to maintain the quality of our loan portfolio by continuously improving our delinquency risk models, ensuring better results in credit granting and appropriate provisions for possible incurred losses. Our strategy involves maintaining our existing policy for our insurance business of careful evaluation of risk spreads through robust actuarial analysis, while entering into reinsurance agreements with well-known reinsurers to reduce exposure to large risks.

With respect to risk management, we intend to continue our integrated approach that utilizes a centralized method for identifying, measuring, controlling, monitoring and mitigating credit, market, liquidity and operational risks. We intend to continue to use specialized risk management committees in relation to the adoption of institutional policies, operational guidelines and the establishment of limits for risk exposure in accordance with best international practices, with the aim of maintaining operational risk levels within adequate boundaries.

Complement organic growth with strategic alliances and pursue selective acquisitions.

To complement our organic growth strategy, we constantly seek opportunities for strategic alliances and selective acquisitions to consolidate our position as one of the leading financial institutions in Brazil and to expand our presence in growth markets such as consumer financing, investment banking, broker dealing and insurance. We believe our partnership with Banco do Brasil and Caixa Econômica Federal in relation to credit, debit and pre-paid cards for checking account holders and non-account holders is an example of such a growth opportunity. Similarly, our merger with Odontoprev has increased our presence in the segment of dental care plans enabling us to cement our leadership position in the insurance market. We will continue to focus on asset quality, potential operating synergies, sale and acquisition of know-how to maximize return for our shareholders.

Focus on corporate responsibility and sustainability as core principles of our business.

We believe that corporate responsibility and sustainability are fundamental to our operations and have incorporated the following three principles into our overall strategy: sustainable finance, responsible management and investments in social and environmental projects. We are always seeking to develop and incorporate sustainable finance concepts into the process of designing and managing our products and services and in our relationships with clients and suppliers. We believe our admission to the sustainability indexes of both the New York Stock Exchange and BM&FBovespa represents strong recognition of our success in implementing sustainability principles. As part of this strategy, we will continue to apply social-environmental risk analysis in financing and investment activities in accordance with international practices, including the Equator Principles which we signed up to in 2004. Corporate responsibility has always been one of our core principles as evidenced by the significant investments we have made in education since 1956 through Fundação Bradesco, which is present in every state in Brazil and the Federal District, with 40 schools primarily located in regions of high socioeconomic deprivation. Fundação Bradesco offers quality formal education, free of charge, to children and young people from early childhood to high school as well as professional high school education for young people and adults, as well as initial and continuing education for employment and income.

4.B. Business Overview

We operate and manage our business through two operational segments: (i) the banking segment and (ii) the insurance, pension and capitalization bonds segment.

The data about these segments were compiled from reports made for Management to assess performance and take decisions on allocating funds for investments and other purposes. Management uses various data, including financial data stated under practices adopted in Brazil and non-financial metrics compiled on different bases. Hence the segment data were prepared under accounting practices adopted in Brazil and the consolidated financial statements were compiled under International Financial Reporting Standards ("IFRS"). For further information on differences between the consolidated results and by segments, see "Item 5.A. Operating Results - Results of operations for the year ended December 31, 2011 compared with the year ended December 31, 2010” and "Item 5.A. Operating Results - Results of operations for the year ended December 31, 2010 compared with the year ended December 31, 2009.”

As of December 31, 2011, according to the sources cited in parentheses below, we were:

- one of the leading private-sector banks in terms of savings deposits, with R$59.7 billion in deposits, accounting for 14.2% of Brazil's total savings deposits;

- one of the leaders in BNDES onlending, with R$15.5 billion in disbursements (BNDES);

- one of the leaders in leasing operations in Brazil, with a leasing portfolio of R$11.6 billion at present value (ABEL);

- one of the largest private-sector fund and portfolio managers in Brazil, with R$335.4 billion in total third-party assets under management, representing over 17% of the total Brazilian market (ANBIMA);

- one of the largest credit card issuers in Brazil, with 91.3 million credit cards issued (Visa, American Express, Elo, MasterCard and private label cards) with sales on credit cards and private label of R$89.6 billion (ABECS);

- one of the largest debit card issuers in Brazil, with 64.3 million debit cards issued (ABECS);

- the leader in bank payment processing and collection services in Brazil with a 25.3% market share in November 2011 (Central Bank);

- the leader among private banks in number of customer registrations in the Pre-Authorized Direct Debit (DDA) program, with over 4.2 million registered customers (Central Bank);

- the leader in number of active accounts in managed purchaser consortiums for the following three segments: real estate, with 183,888 active accounts; automobiles, with 408,491 active accounts, and trucks and tractors with 33,384 active accounts (Central Bank);

- one of the leaders in automobile financing loans, with a market share of 16.4% (Central Bank);

- the leading private-sector bank in benefit payments from the Social Security Institute (Instituto Nacional do Seguro Social, or INSS), with over 6 million "INSS" retirees, beneficiaries and other pensioners, accounting for 23.8% of the total number of INSS beneficiaries (INSS); and

- Brazil's largest insurance and open pension fund operator with R$37.7 billion in total premiums and open pension plan contributions (SUSEP and ANS).

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Additionally, Bradesco was rated as Brazil's most valuable brand in 2011 by Superbrands consulting firm and the world's sixth most valuable brand by international banking consultants Brand Finance. It was also rated the "best financial institutions to start a career" in a survey that "Você S/A" magazine conducted in partnership with Fundação Instituto de Administração (FIA) and Cia. de Talentos. This survey is unique worldwide for its assessment of the workplace environment and management policies from the personnel point of view for professionals at the beginning of their careers. Bradesco earned the "Best Company for Personnel Management" award for companies with more than 10,000 employees given by the magazine "Valor Carreira". Bradesco ranked fourth worldwide in a survey conducted by Aon Hewitt for best practices in environmental responsibility, and is the only Brazilian company in "Newsweek's" Top 15 World's Greenest Companies.

Main subsidiaries

The following is a simplified chart of our principal material subsidiaries in the financial and insurance services businesses and our voting and ownership interest in each of them as of December 31, 2011 (all of which are consolidated in our financial statements in "Item 18. Financial Statements"). With the exception of Banco Bradesco Argentina, which was incorporated in Argentina, all of these material subsidiaries were incorporated in Brazil. For more information regarding the consolidation of our material subsidiaries, see Note 2(a) to our consolidated financial statements in "Item 18. Financial Statements."

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Revenues per business segment

The following table summarizes our main gross revenues by business area for the periods indicated.

Years Ended December 31,	R$ in thousands		
	2011	2010	2009
Banking			
Loans and advances [1]	52,890,045	43,574,580	38,660,721
Fees and commissions	11,989,868	10,450,714	8,889,004
Insurance and pension plans			
Premiums retained from insurance and pension plans	34,315,543	27,994,116	24,118,550

(1) Includes industrial loans, financing under credit cards, overdraft loans, trade financing and foreign loans.

For more details of our segments, see "Item 5.A. Operating Results" and Note 5 of our consolidated financial statements in "Item 18. Financial Statements."

We do not break down our revenues by geographic regions within Brazil, and less than 10.0% of our revenues come from international operations. For more information on our international operations, see "International banking services."

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Banking

We have a diverse customer base that includes individuals and small, midsized and large companies in Brazil. Historically, we have cultivated a stronger presence among the broadest segment of the Brazilian market, middle- and low-income individuals. In 1999, we set up our corporate department to serve corporate customers with annual revenues of R$250 million or more, and our private banking department to serve our individual customers with minimum net assets of R$2.0 million. In 2002, we created *Bradesco Empresas* (Middle Market) to cater for corporate customers with annual revenues of R$30 to R$250 million, in other to expand our business in the middle corporate market. In 2003, we launched Bradesco Prime, which offers services to individual customers who either have a monthly income of at least R$7,000 or R$80,000 available for immediate investment. Bradesco Varejo is our division for corporate customers with annual revenues of less than R$30 million and individual customers with monthly income of less than R$7,000. For more information, see "Distribution channels" and "Specialized distribution of products and services."

The following diagram shows the breakdown of our banking activities as of December 31, 2011:

Banking

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The following table shows selected financial data for our banking segment for the periods indicated:

Year ended December 31,	R$ in thousands		
	2011	**2010**	**2009**
Statement of Income data			
Net interest income	31,379,722	28,223,501	23,991,700
Impairment of loans and advances	(9,275,421)	(6,354,670)	(11,236,020)
Other income/(expenses) [1]	(13,063,262)	(12,497,956)	(5,194,473)
Income before income taxes	**9,041,039**	**9,370,875**	**7,561,207**
Income and social contribution taxes	(1,305,702)	(2,416,284)	(2,319,811)
Net income for the year	**7,735,337**	**6,954,591**	**5,241,396**
Net income attributable to controlling shareholders	7,724,917	6,943,764	5,243,804
Net income attributable to non-controlling interest	10,420	10,827	(2,408)
Statement of Financial Position data			
Total assets	657,903,426	548,664,554	430,753,007
Selected results of operations data			
Interest and similar income			
Loans and advances to banks	8,469,093	6,759,299	5,449,139
Loans and advances to customers	44,420,954	36,815,282	33,211,581
Financial assets	15,913,414	9,828,935	8,909,847
Compulsory deposits with the Central Bank	6,112,337	2,869,307	534,676
Other financial interest income	40,774	35,707	35,338
Interest and similar expenses			
Deposits from banks	(23,215,922)	(14,065,917)	(10,583,071)
Deposits from customers	(14,974,545)	(11,296,932)	(11,413,095)
Funds from securities issued	(2,598,702)	(699,640)	(417,109)
Subordinated debt	(2,787,681)	(2,022,540)	(1,735,606)
Net interest income	**31,379,722**	**28,223,501**	**23,991,700**
Net fee and commission income	**11,989,868**	**10,450,714**	**8,889,004**

Note: Data presented above includes income from related parties of other segments before elimination.
[1] For additional information, see "Item 5.A. Operational Results".

We have a segmented customer base and we offer the following range of banking products and services in order to meet the needs of each segment:

- deposit-taking with clients, including checking accounts, savings accounts and time deposits;
- loans and advances (individuals and companies, real estate financing, microcredit, onlending BNDES funds, rural credit, leasing, among others);

- credit cards, debit cards and pre-paid cards;
- management of receipts and payments;
- asset management;
- services related to capital markets and investment banking activities;
- intermediation and trading services;
- custody, depositary and controllership services;
- international banking services; and

- purchasing consortiums.

Deposit-taking with clients

We offer a variety of deposit products and services to our customers through our branches, including:

- Non-interest bearing checking accounts, such as:

- Easy Account (*Conta Fácil*) – customers have a checking account and a savings account under the same bank account number, using the same card for both accounts;

- Click Account (*Click Conta*) – no-fee checking account for minors (from 11 to 17 years old), with exclusive website and debit card, automatic pocket money service and free online courses, among other benefits;

- Academic Account (*Conta Universitária*) – low fee checking account for college students, with subsidized credit conditions, exclusive website and free online courses, among other benefits; and

- Cell Phone Bonus Account (*Conta Bônus Celular*) – monthly checking account fees are awarded as bonus for the customers' prepaid cell phone.

- traditional savings accounts, which currently earn the Brazilian reference rate, or *taxa referencial*, known as the "TR," plus 6.2% annual interest;

- time deposits, which are represented by Bank Deposit Certificates (*certificados de depósito bancário* - or "CDBs"), and earn interest at a fixed or floating rate; and

- deposits exclusively from financial institutions, which are represented by Interbank Deposit Certificates *(certificados de depósito interbancário* - or "CDIs"*)*, and earn the interbank deposit rate.

As of December 31, 2011, we had 25.1 million checking account holders, 23.7 million of which were individual account holders and 1.4 million corporate account holders. As of the same date, we had 43.4 million savings accounts. In the same period, our deposits (excluding deposits from financial institutions) totaled R$216.3 billion and we had a 14.2% share of the Brazilian savings deposit market, according to the Central Bank.

The following table shows a breakdown of our deposits by type of product on the dates indicated:

December 31,	R$ in thousands, except %					
	2011		2010		2009	
Deposits from customers						
Demand deposits	**32,535,978**	**15.0%**	**35,775,239**	**18.6%**	**34,211,087**	**20.1%**
Reais	32,090,220	14.8%	35,389,537	18.4%	33,834,086	19.9%
Foreign currency	445,758	0.2%	385,702	0.2%	377,001	0.2%
Savings deposits	**59,656,319**	**27.6%**	**53,435,652**	**27.8%**	**44,162,309**	**26.0%**
Reais	59,656,319	27.6%	53,435,652	27.8%	44,162,309	26.0%
Time deposits	**124,128,641**	**57.4%**	**102,157,837**	**53.1%**	**90,537,014**	**53.3%**
Reais	104,114,818	48.1%	94,723,153	49.2%	86,018,856	50.6%
Foreign currency	20,013,823	9.3%	7,434,684	3.9%	4,518,158	2.7%
Total deposits from customers	**216,320,938**	**100.0%**	**191,368,728**	**99.4%**	**168,910,410**	**99.4%**
Others	**-**	**-**	**1,107,220**	**0.6%**	**1,035,706**	**0.6%**
Total	**216,320,938**	**100.0%**	**192,475,948**	**100.0%**	**169,946,116**	**100.0%**

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We offer our customers certain additional services, such as:

- "identified deposits," which allow our customers to identify deposits made in favor of a third party by using a personal identification number; and

- real-time "banking transfers" from a checking or savings account to another checking or savings account, including accounts at other banks.

Loans and advances to customers

The following table shows loans and advances to customers in Brazil broken down by type of product and period:

December 31,		**R$ in thousands**	
2011	**2010**	**2009**	
Loans and advances to individuals outstanding by type of operation			
Other loans and advances to individuals	58,014,635	48,769,011	38,584,861
Housing loans	15,930,568	10,186,535	6,942,703
Onlending BNDES/Finame	35,398,656	29,554,340	18,240,421
Other corporate loans and advances	85,760,876	71,611,871	59,846,559
Rural loans	11,036,251	10,179,753	9,136,566
Leasing	11,550,838	16,365,943	21,468,019
Credit cards	20,252,191	18,474,095	14,676,565
Import and export financings	25,577,600	20,494,370	20,269,801
Total	**263,521,615**	**225,635,918**	**189,165,495**

The following table summarizes concentration for our outstanding loans and advances to customers by borrower on the dates shown:

December 31,	**2011**	**2010**	**2009**
Borrower size			
Largest borrower	0.9%	1.2%	1.0%
10 largest borrowers	5.2%	5.8%	6.2%
20 largest borrowers	8.6%	9.1%	9.4%
50 largest borrowers	14.0%	14.6%	15.7%
100 largest borrowers	18.1%	18.5%	19.9%

Loans and advances to customers

Our loans and advances to customers, mostly consumer credit, corporate and agricultural-sector loans, totaled R$263.5 billion as of December 31, 2011.

Loans and advances to consumers

Our significant volume of individual loans enables us to reduce the impact of single individual loans on the performance of our portfolio and helps build customer loyalty. They consist primarily of:

- short-term loans, extended through our branches to checking account holders and, within certain limits, through our ATM network. These short-term loans are on average repaid in four months with an average interest rate of 7.1% per month as of December 31, 2011;

- vehicle financings are on average repaid in sixteen months with an average interest rate of 2.1% per month as of December 31, 2011; and

• overdraft loans on checking accounts (or "Cheque Especial"), which are on average repaid in one month, at interest rates varying from 8.2% to 8.9% per month as of December 31, 2011.

We also provide revolving credit facilities and traditional term loans. As of December 31, 2011, we had outstanding advances, vehicle financings, consumer loans and revolving credit totaling R$58.0 billion, or 22.0% of our portfolio of loans and advances as of that date. On the basis of loans outstanding on that date, we had a 12.1% share of the Brazilian consumer loan market, according to information published by the Central Bank.

Banco Bradesco Financiamentos ("Bradesco Financiamentos") offers direct-to-consumer credit and leasing for the acquisition of vehicles and payroll-deductible loans to the public and private sectors 'in Brazil.

Supported by BF Promotora de Vendas Ltda. ("BF Promotora"), and using the "Bradesco Financiamentos" brand, the Bank operates through its extensive network of correspondents in Brazil, consisting of retailers and dealers selling light vehicles, trucks and motorcycles, to offer financing and/or leasing for vehicles.

Through “Bradesco Promotora” brand, we offer payroll-deductible loans to social security retirees and pensioners, public-sector employees, military personnel and private-sector companies sponsoring plans, and other aggregated products (insurance, capitalization bonds, cards, purchasing consortiums, and others).

Real estate financing

As of December 31, 2011, we had 63,156 outstanding real estate loans. We financed 30.6% of the financial sector lending for civil construction in Brazil as of November 30, 2011 according to data published by the Central Bank. As of December 31, 2011, the aggregate outstanding amount of our real estate loans amounted to R$15.9 billion, representing 6.0% of our portfolio of loans and advances.

Real estate financing is made through the Housing Finance System - SFH *(Sistema Financeiro Habitacional)*, by the Housing Mortgage Portfolio - CHH *(Carteira Hipotecária Habitacional)* or by the Commercial Mortgage Portfolio - CHC - *(Carteira Hipotecária Comercial)*. Loans from SFH or CHH feature variable-installment repayments and annual interest rates ranging from 7.8% to 11.5% plus TR, or 13.0% from CHC. Loans from SFH with pre-fixed installment repayment are made at annual interest rates of 13.2% for properties valued at no more than R$150,000.

Residential SFH and CHH loans are for repayment within 30 years and commercial loans within 10 years.

Our individual loans made for construction purposes are repaid within 30 years, with 24 months to finish construction, a 2-month grace period and the remainder for repaying the loan. The annual interest rate on these loans is TR plus 10.5% for the SFH loans, or a fixed 13.2% for homes valued at R$150,000 or less.

We also extend corporate financing for builders under the SFH. These loans are for construction purposes and typically specify 36 months for completion of construction work and repayments starting within 36 months after official registration of the building. These loans are charged the TR plus an annual interest rate of 10 to 12% during the construction stage for SFH loans, and TR plus an annual interest rate of 14% for CHH loans.

Central Bank regulations require us to provide real estate financing in the amount of at least 65% of the balance of our savings accounts. In addition to real estate financing, mortgage notes, charged-off real estate financing, and other financings can be used to satisfy this requirement. We generally do not finance more than 80% of the purchase price or the market value of a property, whichever is lower.

Microcredit

We extend microcredit to low-income individuals and small companies, in accordance with Central Bank regulations requiring banks to use 2% of their cash deposits to provide microcredit loans. We started providing microcredit loans in August 2003. As of December 31, 2011, we had 69,491 microcredit loans outstanding, totaling R$62.8 million.

In accordance with Central Bank regulations, most microcredit loans are charged at a maximum effective interest rate of 2% per month. However, microcredit loans for certain types of business or specific production have a maximum effective interest rate of 4% per month. The CMN requires that the maximum amount loaned to a borrower be limited to (i) R$2,000 for individuals in general, (ii) R$5,000 for individuals developing certain professional, commercial or industrial activities or for micro companies, and (iii) R$15,000 for microcredit loans in certain segments. In addition, microcredit loans must be not for less than 120 days, and origination fee must be 2% to 3% of the loan value.

BNDES onlending

The Brazilian government has a program to provide government-funded long-term loans with below-market interest rates to sectors of the economy that it has targeted for development. We borrow funds under this program from either (i) BNDES, the federal government's development bank, or (ii)*Agência Especial de Financiamento Industrial* (Finame), or "Finame," the equipment financing subsidiary of BNDES. We then on-lend these funds to borrowers in targeted sectors of the economy. We determine the spread on the loans based on the borrowers' credit. Although we bear the risk for these BNDES and Finame onlending transactions, they are always secured.

According to BNDES, we disbursed R$15.5 billion, 65.5% of which was loaned to micro-, small- and medium-sized companies in 2011. Our BNDES onlending portfolio totaled R$35.4 billion as of December 31, 2011, and accounted for 13.4% of our portfolio of loans and advances at that date.

Other local commercial loans

We provide traditional loans for the ongoing needs of our corporate customers. We had R$85.8 billion of outstanding other local commercial loans, accounting for 32.5% of our portfolio of loans and advances as of December 31, 2011. We offer a range of loans to our Brazilian corporate customers, including:

- short-term loans of 29 days or less;
- working capital loans to cover our customers' cash needs;
- guaranteed checking accounts and corporate overdraft loans;
- discounting trade receivables, promissory notes, checks, credit card and supplier receivables, and a number of other receivables;
- financing for purchase and sale of goods and services;
- corporate real estate financing;

- investment lines for acquisition of assets and machinery; and
- guarantees.

These lending products generally bear an interest rate of 1.9% to 8.4% per month.

Rural loans

We extend loans to the agricultural sector by financing demand deposits, BNDES onlendings and our own funds, in accordance with Central Bank regulations. As of December 31, 2011, we had R$11.0 billion in outstanding rural loans, representing 4.2% of our portfolio of loans and advances. In accordance with Central Bank regulations, loans arising from compulsory deposits are paid a fixed rate. The annual fixed rate was 6.75% as of December 31, 2011. Repayment of these loans generally coincides with agricultural harvest and principal is due when a crop is sold, except BNDES onlending for rural investment which is repaid within a five years with repayments on a semi-annual or annual basis. As security for such loans, we generally obtain a mortgage on the land where the agricultural activities being financed are conducted.

Since July 2011, Central Bank regulations require us to use at least 28% of our checking account deposits to provide loans to the agricultural sector. If we do not reach 28%, we must deposit the unused amount in a non-interest-bearing account with the Central Bank.

Leasing

According to ABEL, as of December 31, 2011, our leasing companies were among the sector leaders, with a 18.5% market share. According to this source, the aggregate discounted present value of the leasing portfolios in Brazil as of December 31, 2011 was R$62.4 billion.

As of December 31, 2011, we had 423,800 outstanding leasing agreements totaling R$11.6 billion, representing 4.4% of our portfolio of loans and advances.

The Brazilian leasing market is dominated by large banks and both domestic- and foreign-owned companies affiliated with vehicle manufacturers. Brazilian lease contracts generally relate to motor vehicles, computers, industrial machinery and other equipment.

Most of our leases are financial (as opposed to operational). Our leasing operations primarily involve the leasing of trucks, cranes, aircraft and heavy machinery. As of December 31, 2011, 75.1% of our outstanding leases were vehicle leases, compared with 67.1% in the Brazilian leasing market as a whole.

We conduct our leasing operations through our primary leasing subsidiary, Bradesco Leasing and also through Bradesco Financiamentos.

We obtain funding for our leasing operations primarily by issuing debentures and other securities in the domestic market.

As of December 31, 2011, Bradesco Leasing had R$63.1 billion of debentures outstanding in the domestic market. These debentures will mature in 2028 and bear monthly interests at the CDI rate.

Terms of leasing agreements

Financial leases represent a source of medium- and long-term financing for Brazilian customers. Under Brazilian law, the minimum term of financial leasing contracts is 24 months for transactions relating to products whose average life of five years or less, and 36 months for transactions for those with an average useful life of five years or more. There is no legal maximum term for leasing contracts. As of December 31, 2011, the remaining average maturity of contracts in our lease portfolio was approximately 50 months.

Credit cards

In 1968, Bradesco was the first bank to issue credit cards in Brazil, and as of December 31, 2011, we were one of Brazil's largest card issuers with a base of 91.3 million credit and private-label cards. We offer Visa, American Express, Elo, MasterCard credit and private label cards, which are accepted in over 200 countries.

Bradesco launched a Brazilian brand of credit, debit and pre-paid cards known as Elo for accountholders and non-accountholders.

In order to comply with CMN Resolution No. 3,919/10, we also launched "Bradesco Visa Nacional" as a standard credit card.

In April 2011, Bradesco signed an agreement with Bank of America Merrill Lynch to jointly issue corporate cards to Bank of America Merrill Lynch customers living in Brazil, who are mostly employees of multinational corporations domiciled in Brazil or representation offices in the United States. For companies with employees working in Brazil, this card will avoid currency exchange charges, enable them to manage expenses and ensure direct communication with corporate accounts. Through this partnership, Bradesco is expanding its presence in the corporate credit card business, thus enabling it to offer customized products for each segment.

We earn revenues from our credit card operations through:

- fees on purchases carried out in commercial establishments;
- issuance fees and annual fees;
- interest on credit card balances;
- interest and fees on cash withdrawals through ATMs;

• interest on cash advances to cover future payments owed to establishments that accept credit cards; and

• several fees charged cardholders and affiliated commercial establishments.

We offer our customers the most complete line of credit cards and related services, including:

• cards issued for use restricted to Brazil;

• credit cards accepted nationwide and internationally;

• credit cards for high net worth customers, such as "Gold," "Platinum" and "Infinite/Black" Visa, American Express and MasterCard. Highlights are loyalty programs including the "Membership Rewards Program;"

• cards that combine credit and debit features in a single card, which may be used for traditional banking transactions and shopping;

• to enhance security, we are issuing chip-embedded credit cards for our entire customer base, enabling cardholders to use passwords instead of signatures;

• corporate credit cards accepted nationwide and internationally;

• co-branded credit cards, which we offer through partnerships with traditional companies, such as airlines, retail stores, and others;

• "affinity" credit cards, which we offer through civil associations, such as sport clubs and non-governmental organizations;

• "*CredMais*" credit cards for employees of our payroll processing customers, which have more attractive revolving credit fees, and "*CredMais INSS*" credit cards for INSS pensioners and other beneficiaries with lower financing interest rates;

• private label credit cards, which exclusively target retail customers to leverage our business and build loyalty which may or may not have a brand for use with our retailers;

• “CPB” and “EBTA”, virtual cards for corporates to manage and control airlines travel expenses;

• "Cartões Transporte Bradesco" - Bradesco’s card for transportation companies, shippers, risk management companies and truck drivers, with both prepaid and debit card functionalities;

• "Blue Credit Cards" a modernly designed credit card that offers special benefits for American Express customers with upscale lifestyles;

- Flex Car Visa Vale Card is a prepaid card that offers the customer more practical payment options for vehicle related expenses, such as fuel or parking and enables companies to set maximum credit available to each employee;

- payment of invoice in up to 12 fixed installments, with specific charges per type of card;

- Bradesco Unauthorized Purchase Protection Insurance ("Seguro Cartão Super Protegido Premiável Bradesco") settles or amortizes the amount due on the participant's credit card, excluding cash withdrawals, resulting from the card's loss, robbery or theft. Protection covers a 7-consecutive-day period (168 hours) prior to the notification of the event, up to the credit card limit, with a ceiling of R$50,000;

- "Contactless," which enable customers to simply place the card next a scanner to make a payment;

- "Bradesco Corporate Checking Account Card" does checking account transactions and is ideal for small everyday expenses, with advanced technology making company business more convenient, faster and more secure;

- "Gold Cards" with differentiated services in line with Bradesco's customer segmentation strategy, offering competitive products that provide profitability for the Bank and benefits for customers.

- "MoneyCard – Visa Travel Money and Global Travel Card" are prepaid international cards designed for foreign currency transactions, which target international travel; and

- "American Express Business," which is the first American Express card to target small and medium enterprises.

We are authorized to accredit merchants with the Visa, American Express and Mastercard systems through our branches, and to transfer banking domiciles.

In 1993, we launched the "*SOS Mata Atlântica"* card, which allocates a portion of its revenues to environmental causes. In 2008, we launched the "*Amazonas Sustentável"* credit card, the first credit card made of recycled plastic, and part of its revenues is transferred to *Fundação Amazonas Sustentável*.

As of December 31, 2011, we had more than 95 partners with whom we offered co-branded, affinity and private label/hybrid credit cards. These relationships have allowed us to integrate our relationships with our customers and offer our credit card customers banking products, such as financing and insurance.

The following table shows credit cards we issued in Brazil for the years indicated:

		In millions	
	2011	**2010**	**2009**
Card base			
Credit	91.3	86.5	79.6
Debit	64.3	58.7	53.3
Total	**155.7**	**145.2**	**132.9**
Revenue – R$			
Credit	**89,624.1**	**75,561.0**	**55,294.0**
Number of transactions			
Credit	**1,105.8**	**959.1**	**722.6**

Debit cards

We first issued debit cards in 1981 under the name "*Bradesco Instantâneo."* In 1999, we started converting all of our *Bradesco Instantâneo* debit cards into new cards called "*Bradesco Visa Electron."* Bradesco debit cardholders may use them to purchase goods and services at establishments or make withdrawals through our self-service network in Brazil or the "Plus" network worldwide. Purchase amounts are debited to the cardholder's Bradesco account, thus eliminating the inconvenience and bureaucracy of writing checks.

Prepaid cards

In 2011, Bradesco acquired part of Alelo's shares owned by Visa International, thus increasing Bradesco's ownership interest in Alelo from 45.00 % to 50.01%.

Cash Management Solutions

Management of receipts and payments

In order to meet the cash management needs of our customers in both public and private sectors, we offer many electronic solutions for receipt and payment management, supported by a vast network of branches, banking correspondents and electronic channels, all of which aim to improve speed and security for customer data and transactions.

These solutions include: (i) collection and payment services and (ii) online resource management enabling our customers to pay suppliers, salaries, and taxes and other levies to governmental or public entities.

These solutions, which can also be customized, facilitate our customers' day-to-day tasks and help to generate more business for the Organization.

We also earn revenues from fees and investments related to collection and payment processing services.

Global cash management

The global cash management concept provides solutions for multinationals in Brazil and/or domestic companies operating abroad.

Bradesco's Global Cash Management provides payments, receipts and treasury management services for companies to centralize cash regionally or globally through partnerships with banks worldwide.

Solutions for collection and other receipts

In 2011, we processed 1.2 billion receipts through our collection system, checks custody service, identified deposits and credit orders via our teleprocessing system (credit order by teleprocessing or OCT), which was 18.5% more than in the same period of 2010.

Public authority solutions

Public administration also requires agility and technology in its everyday activities. We have a business area specifically to serve this market, which offers specialized services to entities and bodies of the Executive, Legislative and Judiciary branches at federal, state and municipal levels, in addition to independent governmental agencies, public foundations, state-owned and mixed companies, the armed forces (army, navy and air force) and the auxiliary forces (federal and state police forces) and notary officers and registrars, identifying business opportunities and structuring customized solutions.

Our exclusive website developed for these customers (www.bradescopoderpublico.com.br) poses corporate solutions for federal, state and municipal governments for payments, receipts, human resources and treasury services, meeting the needs and expectations of the Executive, Legislative and Judiciary branches. The portal also features exclusive facilities for public employees and the military showing all of our products and services for these customers.

The relationship works through exclusive service platforms located nationwide, with specialized relationship managers to provide services to these customers, creating a closer relationship to conquer new business and establishing a consolidated presence with Public Authorities.

In 2011, Bradesco provided payroll bank account services for nearly 637,000 public sector employees across Brazil. We were successful in 58 out of 100 bidding processes held to provide payroll banking services.

Asset management

We manage third-party assets through:

- mutual funds;

- individual and corporate investment portfolios;

- pension funds, including assets guaranteeing the technical provisions of *Bradesco Vida e Previdência*;

- insurance companies, including assets guaranteeing the technical provisions of *Bradesco Seguros*; and

- Receivable funds (FIDCs – *Fundos de Investimento em Direitos Creditórios*), real estate and private equity funds (FIPs – *Fundos de Investimento em Participações*).

As of December 31, 2011, we had R$335.4 billion in assets under management, of which R$226.2 billion were managed by Bradesco Asset Management and R$109.2 billion related to the fiduciary administration, custody and controllership services provided separately by the brokerage *BEM Distribuidora de Títulos e Valores Mobiliários Ltda.*, or "BEM DTVM."

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In the same period we offered 1,319 funds and 240 managed portfolios to 3.2 million investors. We also offer a range of fixed income, equity, money market and other funds. Currently we do not offer investments in highly leveraged funds.

The following tables show our portfolio of assets under management by number of investors, and number of investment funds and managed portfolios for each period.

Distribution of Assets As of December 31,	R$ in thousands	
	2011	**2010**
Investment Funds		
Fixed income	283,632,556	242,750,531
Variable income	26,471,324	27,226,789
Third party share funds	6,103,154	5,629,222
Total	**316,207,034**	**275,606,542**
Managed Portfolios		
Fixed income	10,549,837	10,459,475
Variable income	7,446,961	8,470,247
Third party share funds	1,166,162	1,171,107
Total	**19,162,960**	**20,100,829**
Overall Total	**335,369,994**	**295,707,371**

As of December 31,	2011		2010	
	Number	**Quotaholders**	**Number**	**Quotaholders**
Investment Funds	1,319	3,159,749	1,146	3,125,605
Managed Portfolios	240	441	221	497
Overall Total	**1,559**	**3,160,190**	**1,367**	**3,126,102**

Total assets in our investment funds and managed portfolios grew 13.4% in 2011, mainly as a result of larger third-party investments in our fixed income investment funds, which have lower management fees than equity funds.

Our products are distributed through our branch network, our telephone banking services and our internet site ShopInvest (www.shopinvest.com.br).

Services related to capital markets and investment banking activities

As the organization's investment bank, Bradesco BBI originates and executes mergers and acquisitions, and originates, structures, syndicates and distributes fixed-income and equity capital market transactions in Brazil and abroad.

In 2011, Bradesco BBI advised customers on 183 transactions across a range of investment banking products, totaling R$111.8 billion.

Equities

Bradesco BBI coordinates and places public offerings of shares in the local and international capital markets and intermediates public tender offers. Bradesco BBI acted as “Coordinator” and “Joint Bookrunner” for nine CVM-registered public offerings in 2011, totaling R$9.6 billion.

Bradesco was one of the main players in the R$371 million IPO for Abril Educação S.A., the BR Properties S.A. R$690 million follow-on; the Kroton Educacional S.A. R$396 million follow-on; the Brazil Pharma S.A. R$414 million IPO; the Qualicorp S.A. R$1,085 million IPO; the T4F Entretenimento S.A. R$503 million IPO; the Gerdau S.A. R$4,985 million follow-on; the BR Malls Participações S.A. R$731 million follow-on; the International Meal Company Holdings S.A. R$454 million IPO; and Universo Online's going private transaction worth R$338 million.

Fixed income

In fixed income, Bradesco BBI ranked first by value for the year 2011 in ANBIMA's consolidated fixed income report. In 2011, it coordinated 107 domestic-market offerings totaling more than R$19 billion.

In the international broker-dealer market, Bradesco BBI is constantly expanding its presence. In 2011, it acted as “Joint Bookrunner” for 15 bond issues totaling approximately US$10 billion and ranked among the top three institutions in the last quarter of 2011 by ANBIMA.

Structured operations

Bradesco BBI offers various funding solutions to clients through diverse financial instruments, including securitization and acquisition finance.

ANBIMA rankings published in December 2011, placed BBI first by number of deals involving securitization with issues of senior and subordinated shares in receivables funds (FIDCs) and real-estate receivables certificates (or "CRIs"). Bradesco BBI structured 23 CRIs worth a total of approximately R$6.4 billion.

Mergers and acquisitions

Bradesco BBI acts as advisor to important customers for mergers and acquisitions, asset sales, joint ventures, corporate restructuring and privatizations. It is one of the leading investment banks in Brazil in mergers and acquisitions. In 2011, Bradesco BBI ranked third among banks advising on mergers and acquisitions in Brazil, and announced 27 deals in 2011, according to the Merger Market ranking.

Project finance

Bradesco BBI has a sound record of acting as an advisor and arranging structured finance for several project finance and corporate finance deals, and in all cases pursues the best solutions for all different sectors of the economy. We believe it has excellent relationships with various development agencies such as Banco Nacional de Desenvolvimento ("BNDES"), Banco Nordeste do Brasil ("BNB"), Banco Interamericano de Desenvolvimento ("BID") and International Finance Corporation ("IFC").

In 2011, Bradesco BBI was involved in several mandates providing advisory and structured finance services for projects in power generation and transmission, industrial projects, port complexes, and mining and logistics projects, including: (i) structuring a bridge loan and bank guarantee financing by BNDES for the Maranhao IV and V gas-fired thermoelectric plants sponsored by MPX, which included a R$300 million loan by Bradesco, and (ii) a banking syndicate for a BNDES bridge loan to Logum Logistics in the amount of R$1.8 billion to build a pipeline to store and deliver ethanol with an estimated annual through capacity of 21 billion liters, which included a R$550 million loan by Bradesco.

Intermediation and trading services

Our subsidiaries Bradesco S.A. CTVM and Ágora S.A. CTVM (or "Bradesco Corretora" and "Agora Corretora," respectively) trade stocks, options, stock lending, public offerings and forwards. They also offer a wide range of products such as Brazilian government securities (under the *Tesouro Direto* program), BM&F trading, investor clubs and investment funds, which are tailored to the needs of high net-worth individuals, major corporations and institutional investors.

In 2011, Bradesco Corretora traded more than R$68.5 billion in the BM&FBovespa equities market and the exchange ranked it 15th in Brazil in terms of total trading volume. Ágora Corretora traded over R$81.2 billion in the BM&FBovespa's equities market and the exchange ranked it 13th in Brazil in terms of total trading volume.

In addition, in the same period, Bradesco Corretora traded 12,807,041 futures, swaps and options totaling R$1,140.6 billion on the BM&FBovespa. According to the BM&FBovespa, in 2011, Bradesco Corretora ranked 16th in the Brazilian market, in terms of the number of options, futures and swaps contracts executed.

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With more than 45 years of tradition and efficiency in capital markets, Bradesco Corretora was the first brokerage firm to provide its customers with DMA-Direct Market Access, an innovative computer order routing service enabling investors to buy or sell assets directly in BM&FBovespa's market.

BM&FBovespa, through its Operational Qualification Program, awarded the 5 Qualification Seals (Agro Broker, Carrying Broker, Execution Broker, Retail Broker and Web Broker) to Bradesco Corretora in 2009, indicating excellence in futures transactions. In 2007, Ágora was recognized with four of the five (excepting only the Agro Broker seals).

Bradesco Corretora and Ágora Corretora offer their clients the possibility to trade securities on the Internet through its "Home Broker" service. In 2011, "Home Broker" trading totaled R$11.0 billion, or 2.3% of all Internet transactions on BM&FBovespa, and Bradesco Corretora was the 16th largest Internet trader in the Brazilian market. In the same period, Ágora Corretora's "Home Broker" trading totaled R$38.5 billion, or 8.0% of all Internet transaction on BM&FBovespa, ranked 4th in the Brazilian market.

In addition to Home Broker, Ágora Corretora's customers use Ágora Trade Pro as a trading tool for advanced investors and Ágora Mobile for orders by cell phone. Ágora Corretora provides clients with the assistance of about 40 qualified trading professionals to execute orders in equities and fixed-income markets.

Bradesco Corretora and Ágora Corretora also deliver full investment analysis services covering over 100 companies in key sectors of the Brazilian market. Its team of analysts consists of industry specialists (senior analysts and assistants) who provide customers with reports and guidance based on an extensive database of projections and comparative multiples. In addition to analysis from our team of economists, Bradesco Corretora has a separate economic team catering to specific demand from its customers, focused on the stock market.

Through Bradesco Corretora's "Share Rooms Project," our customers have access to professionals able to advise on investing on the BM&FBovespa. Our constantly-expanding network of share rooms currently consists of 16 share rooms located throughout Brazil. This means that Bradesco Corretora provides direct customer service and closer relations with customers, training and certifying employees for a range of operations. This channel is very profitable and enjoys a high-level of take-up from investors, making for closer relations with our network of branches as loyal customers concentrate their funds with us.

Individual customers may invest in Brazilian federal government bonds over the Internet through the “Tesouro Direto” program by registering on our Bradesco Corretora or Ágora Corretora websites.

In addition, Ágora Corretora offers products, services and exclusive assistance through 31 independent agents' offices all over Brazil catering for some 4,000 active customers.

Bradesco Corretora also offers its services as a representative of non-resident investors for transactions in the financial and capital markets, in accordance with CMN Resolution No. 2,689/00, which we refer to as "Resolution No. 2,689/00." For more details of Resolution No. 2,689/00, see "Item 10.D. Exchange Controls."

Custody, depositary and controllership services

In 2011, we were one of the main providers of capital market services and retained leadership in the domestic asset custody market, according to the ANBIMA ranking. Our modern infrastructure and specialized team offer a broad range of services such as: asset registration (shares, BDR - Brazilian Depositary Receipts, investment fund shares, Certificates of Real Estate Receivables or CRIs, and debentures); qualified custody for securities; custody of shares underlying Depositary Receipts (DRs); controllership services for investment funds ("CVM Instruction No. 409" Funds and Structured Funds) and managed portfolios; trustee and management services for investment funds; offshore funds; custody and representation for foreign investors; agent bank; depositary (escrow account - trustee) and clearing agent.

We submit our processes to the Quality Management System ISO 9001:2008 and GoodPriv@cy certifications. Bradesco Custódia alone has 10 quality related and three protection and data privacy certifications.

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As of December 31, 2011, Bradesco Custódia offered:

• Controller and custody services for investment funds and managed portfolios and fiduciary asset management involving:

-– R$795.8 billion in assets under custody for customers using custody services, as measured by methodology used for the ANBIMA ranking;

-– R$928.9 billion in equity investment funds and portfolios using our controller services, as measured by methodology used for the ANBIMA ranking;

-– 21 registered DR programs with a market value of R$104.7 billion; and

-– R$172.2 billion total assets under management in investment funds through BEM DTVM.

• Asset registration:

-– Bradesco's share registration system comprised 246 companies, with a total of 4.7 million shareholders;

-– our debenture registration system contained 190 companies with a total market value of R$193.1 billion;

-– our fund share registration system contained 232 investment funds with a market value of R$36.5 billion; and

-– we managed 13 registered BDR programs, with a market value of R$96.5 million.

International banking services

As a private commercial bank, we offer a range of international services, such as foreign exchange transactions, foreign trade finance, lines of credit and banking. As of December 31, 2011, our international banking services included:

• New York City, a branch and Bradesco Securities Inc., our subsidiary brokerage firm, or "Bradesco Securities United States, and our subsidiary Bradesco North America LLC, or "Bradesco North America;"

• London, Bradesco Securities U.K., our subsidiary, or "Bradesco Securities U.K.;"

• Cayman Islands, two Bradesco branches and our subsidiary, Cidade Capital Markets Ltd., or "Cidade Capital Markets;"

• Argentina, Banco Bradesco Argentina S.A., our subsidiary, or "Bradesco Argentina;"

- Luxembourg, Banco Bradesco Europa S.A. (current name of Banco Bradesco Luxemburgo S.A.) our subsidiary, or "Bradesco Europe;"
- Japan, Bradesco Services Co. Ltd., our subsidiary, or "Bradesco Services Japan;"
- in Hong Kong, our subsidiary Bradesco Trade Services Ltd, or "Bradesco Trade;" and
- in Mexico, our subsidiary Ibi Services, Sociedad de Responsabilidad Limitada, or "Ibi México."

Our Bradesco Nassau branch in the Bahamas closed on January 11, 2011.

Our international transactions are coordinated by our foreign exchange department in Brazil with support from 26 operational units specializing in foreign exchange businesses located at major exporting and importing areas nationwide.

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Revenues from Brazilian and foreign operations

The table below breaks down revenues (interest and similar income, and fee and commission income) from our Brazilian and foreign operations for the periods shown:

For the years ended December 31,	2011 R$ in thousands	%	2010 R$ in thousands	%	2009 R$ in thousands	%
Brazilian operations	91,944,418	98.6%	72,316,384	98.8%	62,258,249	98.8%
Overseas operations	1,291,165	1.4%	877,284	1.2%	773,581	1.2%
Total	**93,235,583**	**100.0%**	**73,193,668**	**100.0%**	**63,031,830**	**100.0%**

Foreign branches and subsidiaries

Our foreign branches and subsidiaries are principally engaged in trade finance for Brazilian companies. Bradesco Europe also provides additional services to the private banking segment. With the exception of Bradesco Services Japan and Bradesco Trade Services, our branches abroad are allowed to receive deposits in foreign currency from corporate and individual customers and extend financing to Brazilian and non-Brazilian customers. Total assets of the foreign branches, excluding transactions between related parties, were R$99.4 billion, as of December 31, 2011, denominated in currencies other than the *real*.

Funding required for import and export finance is mainly obtained from the international financial community, through credit lines granted by correspondent banks abroad. In addition to this traditional source of correspondent banks, our funding from public and private issues of debt securities on international capital markets amounted to US$11.1 billion during 2011.

Bradesco Argentina - To expand our operations in Latin America, in December 1999, we established our subsidiary in Argentina, Bradesco Argentina, the general purpose of which is to extend financing, largely to Brazilian companies established locally and, to a lesser extent, to Argentinean companies doing business with Brazil. In order to start its operations, we capitalized Bradesco Argentina with R$54.0 million from March 1998 to February 1999, and a further R$27.2 million in May 2007. In October 2011, we made another capital injection in the amount of R$70.1 million. As of December 31, 2011, Bradesco Argentina recorded R$139.8 million of total assets.

Bradesco Europe (Bradesco Luxembourg's current business name) - In April 2002, we acquired full control of Banque Banespa International S.A. in Luxembourg and changed its name to Banco Bradesco Luxembourg S.A. In September 2003, Mercantil Luxembourg was merged into Banco Bradesco Luxembourg and the surviving entity was named Banco Bradesco Luxembourg. In January 2011, there was a capital injection of US$200 million. As of December 31, 2011, its total assets were R$3.6 billion.

Bradesco Services Japan - In October 2001, we incorporated Bradesco Services Japan to provide support and specialized services to the Brazilian community in Japan, including remittances to Brazil and advice regarding investments within Brazil. As of December 31, 2011, its assets totaled over R$2.8 million.

Bradesco Trade Services - A non-financial institution and a subsidiary of our branch in the Cayman Islands, which we incorporated in Hong Kong in January 2007, in partnership with the local Standard Chartered Bank.

Bradesco Securities (U.S. and U.K.) - Bradesco Securities, our wholly owned subsidiary, is a broker dealer in the United States and England.

- The focus of Bradesco Securities U.S. is on facilitating the purchase and sale of shares, primarily in the form of ADRs and common shares ADRs. It is also authorized to deal bonds, commercial paper and deposit certificates, among other securities, and may provide investment advisory services. Currently, we have more than 30 ADR programs for Brazilian companies traded on the New York Stock Exchange. As of December 31, 2011, Bradesco Securities U.S. had assets of R$53.8 million and

- Bradesco Securities U.K.'s focus is intermediating equity and fixed income trades of Brazilian companies for global institutional investors. As of December 31, 2011, Bradesco Securities U.K. had R$13.8 million in assets.

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Cidade Capital Markets. In February 2002, Bradesco acquired Cidade Capital Markets in Grand Cayman, as part of the acquisition of its parent company in Brazil, Banco Cidade. As of December 31, 2011, Cidade Capital Markets had R$72.5 million in assets.

Bradesco North America LLC was incorporated in August 2011and will be used as a holding company focused on Bradesco's investments in non-bank businesses in the United States. It had a capital increase of US$5.0 million in November 2011.

Banking operations in the United States

In January 2004, the United States Federal Reserve Bank authorized us to operate as a financial holding company in the United States. As a result, we may do business in the United States directly or through a subsidiary, and, among other lines, may sell insurance and certificates of deposit, provide underwriting services, act as advisors for private placements, provide portfolio management and merchant banking services and manage mutual fund portfolios.

Import and export finance

Our Brazilian foreign-trade related business consists of export and import finance.

We provide foreign currency payments directly to foreign exporters on behalf of Brazilian importers, attached to receipt of local currency payment by the importers. In export finance, exporters obtain advances in reais on closing an export forex contract for future receipt of foreign currency on the contract due date. Export finance arrangements prior to shipment of goods are known locally as Advances on Exchange Contracts or "ACCs," and the sums advanced are used to manufacture goods or provide services for export. If advances are paid after goods or services have been delivered, they are referred to as Advances on Export Contracts, or "ACEs."

Other types of export finance include export prepayment, onlending from BNDES-EXIM funds, export credit notes and bills (referred to locally as "NCEs" and "CCEs"), and the PROEX rate equalization program.

Our foreign trade portfolio is funded primarily by credit lines from correspondent banks. We maintain relations with various American, European, Asian and Latin American financial institutions for this purpose, using our network of approximately 1,000 correspondent banks abroad, 92 of which extended lines of credit as of December 31, 2011.

As of December 31, 2011, our international unit had a balance of R$27.5 billion in export financing and R$7.8 billion in import financing and international finance. The volume of our foreign exchange contracts for exports reached US$53.1 billion, an increase of 16.4% from 2010. In 2011, the volume of our foreign exchange contracts for imports reached US$36.2 billion, a 4.3% rise from 2010. In 2011, based on Central Bank data, we reached a 20.4% market share of trade finance for Brazilian exports and 17.6% for imports.

The following table shows the composition of our foreign trade asset portfolio as of December 31, 2011:

	R$ in thousands
Export financing	
Advance on foreign exchange contracts – undelivered bills	6,645,769
Advance on foreign exchange contracts – delivered bills	817,206
Export prepayment	10,567,022
Onlending of funds borrowed from BNDES/EXIM	4,868,588
Proex - Rate Equalization Program	1,084,180
NCE/CCE (Exports Credit Note/Exports Credit Certificates)	3,540,355
Total export financing	**27,523,120**
Import financing	
Import financing – foreign currency	4,399,518
Exchange discounted in advance for import credit	781,475
Import credit opened	1,700,341
Total import financing	**6,881,334**
International financing	**908,804**
Total foreign trade portfolio	**35,313,258**

Foreign exchange products

In addition to import and export finance, our customers have access to a range of services and foreign exchange products such as:

- purchasing and selling travelers checks and foreign currency paper money;
- cross border money transfers;
- advance payment for exports;
- accounts abroad in foreign currency;
- domestic currency accounts for foreign domiciled customers;
- cash holding in other countries;
- collecting import and export receivables;
- cashing checks denominated in foreign currency;
- foreign loans to customers (Decree-Law No. 4,131/62);

- service agreements – receiving funds from individuals abroad via money orders;
- prepaid cards with foreign currency (individual); and
- structured foreign currency transactions through our foreign units.

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Purchasing consortiums

In Brazil, persons or entities that wish to acquire certain goods may set up a group known as a "consortium," in which members pool their resources to facilitate the purchase of certain consumer goods. The purpose of a consortium is to acquire goods, and Brazilian law forbids the formation of consortiums for investment purposes.

Our purchasing consortium company (Bradesco Consórcios) manages plans for groups of purchasers buying real estate, automobiles and trucks or tractors. In January 2003, our subsidiary Bradesco Consórcios initiated the sale of consortium memberships, known as "quotas," to our customers. According to the Central Bank, since May 2004, Bradesco Consórcios has been the leader in the real estate segment and, since December 2004, it has also been the leader in the vehicle segment. In October 2008, Bradesco Consórcios became the leader in the truck/tractor segment. As of December 31, 2011, Bradesco Consórcios registered total sales of over 625,763 active quotas in the three segments, with total revenues of over R$26.1 billion and net income of R$339.4 million.

Insurance, pension plans and capitalization bonds

The following diagram shows the principal elements of our insurance, pension plans and capitalization bonds segment as of December 31, 2011:

Insurance, pension plans and capitalization bonds

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The following table shows selected financial data for our insurance, pension plans and capitalization bonds segment for the periods indicated.

As of and for the year ended December 31,	R$ in thousands 2011	2010	2009
Statement of Income data			
Net interest income	3,274,715	2,823,860	2,301,290
Other income and expenses [1]	1,905,577	1,930,852	1,904,044
Income before income taxes	**5,180,292**	**4,754,712**	**4,205,334**
Income and social contribution taxes	(1,850,139)	(1,771,955)	(1,462,609)
Net income for the year	**3,330,153**	**2,982,757**	**2,742,725**
Net income attributable to controlling interest	3,201,449	2,912,981	2,716,291
Net income attributable to non-controlling interest	128,704	69,776	26,434
Statement of Financial Position data			
Total assets	123,867,399	105,026,136	92,096,511
Selected results of operations data			
Income from insurance and pension plans			
Written premiums	32,136,300	26,136,471	22,727,880
Pension plan contributions	3,061,682	2,541,130	2,200,616
Coinsurance premiums ceded	(190,724)	(127,307)	(298,404)
Premiums returned	(418,791)	(362,060)	(270,600)
Reinsurance premiums	(272,924)	(194,118)	(223,325)
Premiums retained from insurance and pension plans	**34,315,543**	**27,994,116**	**24,136,167**
Changes in the insurance technical provisions and pension plans	(18,212,405)	(14,294,977)	(12,786,090)
Retained claims	(11,168,612)	(9,577,429)	(8,329,154)
Selling expenses for insurance and pension plans	(1,859,208)	(1,567,344)	(1,231,503)
Income from insurance and pension plans	**3,075,318**	**2,554,366**	**1,789,420**

Note: Data presented above include income from related parties outside the segment.
[1] For additional information, see "Item 5.A. Operational Results".

Insurance products and services

We offer insurance products through a number of different entities, which we refer to collectively as "Grupo Bradesco Seguros." Grupo Bradesco Seguros is the largest insurer group in Brazil by total revenues and technical provisions, according to data published by SUSEP and ANS, providing a wide range of insurance products for both individuals and corporate customers. Products include health, life, personal accident, automobile and other assets.

Life and personal accident insurance

We offer life, personal accident and random events insurance through our subsidiary Bradesco Vida e Previdência. As of December 31, 2011, we had 22.4 million life insurance policyholders.

Health insurance

The health insurance policies cover medical/hospital expenses. We offer health insurance policies through Bradesco Saúde and its subsidiaries for small, medium or large companies wishing to provide benefits for their staff.

On December 31, 2011, Bradesco Saúde and its subsidiary Mediservice Administradora de Planos de Saúde S.A (“Mediservice”) had more than 3.4 million beneficiaries covered by company plans and individual/family plans. Approximately 41,000 companies in Brazil pay into plans provided by Bradesco Saúde and its subsidiaries, including 45 of the top 100.

Bradesco Saúde currently has one of the largest networks of providers of health services in Brazil. As of December 31, 2011, it included 10,835 laboratories, 13,006 specialized clinics, 17,157 physicians, 3,315 hospitals located throughout the country.

Automobiles, property/casualty and liability insurance

We provide automobile, property/casualty and liability products through our subsidiary Bradesco Auto/RE. Our automobile insurance covers losses arising from vehicle theft and damage passenger and third-party injury. Retail property/casualty insurance is for individuals, particularly those with residential and/or equipment related risks and small- and medium-sized companies whose assets are covered by multi-risk business insurance.

Of the mass property/casualty lines for individuals, our residential note ("Bilhete Residencial") is a relatively affordable and highly profitable product. For corporate customers, Bradesco Auto/RE offers Bradesco Seguro Empresarial (business insurance), which is adapted to meet our customers' and business needs. For corporate property/casualty and liability insurance, Bradesco Auto/RE has an exclusive highly specialized team that provides large business groups with services and products tailor-made to the specific needs of each policyholder. Top sellers in this segment are insurance policies for transportation, engineering and operational and oil risks.

As of December 31, 2011, Bradesco Auto/RE had 1.6 million insured automobiles and 2.1 million property/casualty policies and notes, making it one of Brazil's main insurers.

Other Information

Sales of insurance products

We sell our insurance products through brokers in our branch network and through non-exclusive brokers throughout Brazil. Bradesco Seguros pays brokers' fees on a commission basis. As of December 31, 2011, there were 29,250 brokers offering our insurance policies to the public. We also offer certain automobile, health, and property/casualty insurance products directly through our website.

Pricing

Pricing for collective health insurance policies in Brazil is based on historical experience (i) medical, hospital and dental care costs, as well as (ii) frequency of utilization per procedure. Actuarial studies for pricing health insurance also take into consideration the distribution and frequency of claims by age brackets of the insured population and by geographical area, along with the insurance coefficients adopted according to the best actuarial practices.

Life insurance pricing is usually based on life expectancy statistics, and in some cases, frequency average amounts of claims actually experienced by the Brazilian population. Any amount exceeding the reinsurance agreement limit is automatically transferred for reinsurance by IRB Brasil Resseguros S.A., known as

"IRB."

Automobile insurance pricing depends on frequency and severity level of claims, and includes many factors such as place of use of a vehicle and its specific characteristics. In line with market practice, we factor customer profiles into automobile insurance pricing.

The profitability of automobile insurance largely depends on detecting and correcting discrepancy between premium levels and expected claim costs. Among other factors premiums charged for damage insurance to vehicles include the value of the insured automobile. Consequently, premium levels partially reflect volume sales of new automobiles.

Pricing for mass property/casualty insurance business is also based on frequency and average amounts of claims, and on specific characteristics of the insured party's location. Pricing for corporate property/casualty insurance varies with the specific characteristics of each risk insured. Depending on the type of coverage and/or amount insured we may have to consult the IRB to obtain the basis for an insurance contract.

Reinsurance

Brazilian regulations set retention limits on the amount of risk insurance companies may underwrite without having to purchase reinsurance. Under these regulations, risk underwritten by Grupo Bradesco must be reinsured with the IRB if insured amounts exceed retention limits or if reinsurance is recommended for technical/actuarial decisions taken to minimize the risks of certain portfolios.

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On January 15, 2007, Brazil's Congress enacted Supplementary Law No. 126/07, which abolished the IRB's monopoly and allowed three types of reinsurer referred to as "local," "admitted" and "occasional," thus opening up Brazil's reinsurance market for competition. Under the same supplementary law, IRB was recognized as a local reinsurer and authorized to continue its operations and make any required adjustments in due course.

As of the end of 2007, CNSP and SUSEP issued a number of normative instructions containing rules for reinsurance, retrocession and intermediation business, based mainly on CNSP Resolution No. 168/07.

To be registered as admitted or occasional reinsurers in Brazil, foreign-based reinsurance companies must meet certain requirements, such as having at least five years experience in their country of origin, equity of at least US$100 million (admitted) or US$150 million (occasional), and certain minimum ratings from agencies Standard & Poor's (S&P), Fitch Ratings (Fitch), Moody's Investors Service (Moody's) or AMBest. For admitted reinsurers: BBB- (S&P/Fitch), Baa3 (Moody's), or B- (AMBest); for occasional reinsurers BBB (S&P/Fitch), Baa2 (Moody's), or B++ (AMBest).

Through Decree No. 6,499/08, the President of Brazil set maximum limits for ceding to reinsurance companies by local insurers (10%) or local reinsurers (50%) in terms of premiums ceded for reinsurance in each calendar year. CNSP Resolution No. 203/09 raised the limit from 10% to 25% in the case of guarantee for public obligations and oil risks.

Local reinsurers must be incorporated as sociedade anônima business corporation in Brazil with capital of at least R$60 million. As of March 31, 2011, under CNSP Resolution No. 225/10, at least 40% of insurers' ceded risk must be placed with local reinsurers for both treaty and facultative contracts.

CNSP Resolution No. 241/2011 allows transfer of risks as part of reinsurance or retrocession operations to reinsurers not authorized by SUSEP as long as shortfall in the Brazilian reinsurance market's capacity has been shown and certain rules and limits are followed.

By December 31, 2011, SUSEP had registered 92 reinsurance companies, including London Lloyd's, to operate in Brazil. Thirty-three reinsurance brokerage firms are authorized to intermediate reinsurance and retrocession operations.

In 2011, Grupo Bradesco reinsured some R$273 million of reinsurance premiums, which was a relatively small amount compared with total written premiums. Although reinsurers are liable to cedants for the amount reinsured, insurers remain primarily liable to their insured for all risk assumed.

Bradesco Auto/RE purchases reinsurance from a small number of reinsurers authorized by SUSEP after prior management approval IRB is its main reinsurer for automatic reinsurance agreements (reinsurance agreements under which Bradesco agrees to cede risks in accordance with contractual terms and the reinsurer is obligated to accept those risks for a certain period of time) and 100% of optional contracts.

SUSEP classified the above mentioned reinsurers as local (IRB) or admitted (other) because they have capital and rating well above the minimum stipulated under Brazilian legislation.

Pension plans

We have managed individual and corporate pension plans since 1981 through our wholly owned subsidiary Bradesco Vida e Previdência, which is now the leading pension plan manager in Brazil, as measured by pension plan contributions, investment portfolio and technical provisions, based on information published by Fenaprevi and SUSEP.

Bradesco Vida e Previdência offers and manages a range of individual and group pension plans. Our largest individual plans in terms of contributions known as VGBL and PGBL are exempted from withholding taxes on income generated by the fund portfolio.

As of December 31, 2011, Bradesco Vida e Previdência accounted for 33.2% of the pension plan and VGBL market in terms of contributions, according to Fenaprevi. Also according to the same source, managed pension funds accounted for 34.0% of VGBL, 26.1% of PGBL and 38.5% of traditional pension plans in Brazil. As of December 31, 2011, Bradesco Vida e Previdência accounted for 33.5% of all supplementary pension plan assets under management, 33.1% of VGBL, 23.6% of PGBL and 49.2% of traditional private pension plans, according to Fenaprevi.

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Brazilian law currently permits the existence of both "open" and "closed" private pension entities. "Open" private pension entities are those available to all individuals and legal entities wishing to join a benefit plan by making regular contributions. "Closed" private pension entities are those available to discrete groups of people such as employees of a specific company or a group of companies in the same sector, professionals in the same field, or members of a union. Private pension entities grant benefits on the basis of periodic contributions from their members, or their employers, or both.

We manage pension and VGBL plans covering more than 2.2 million participants, 65.7% of whom have individual plans, and the remainder individuals covered by company plans. The Company´s plans account for approximately 34.3% of our technical reserves.

Under VGBL, PGBL and FAPI plans, participants are allowed to make contributions either in installments or in lump-sum payments. Participants in pension plans may deduct the amounts contributed to PGBL up to 12% of the participant's taxable income when making their annual tax declaration. Under current legislation, redemptions and benefits are subject to withholding tax. VGBL plan participants may not deduct their contributions when declaring income tax. At the time of redemption, or when benefits are paid out, tax will be levied on these benefits, pursuant to current legislation.

VGBL and PGBL plans, and individual retirement fund plans (referred to as "FAPI") may be acquired by companies in Brazil for the benefit of their employees. In 2011, Bradesco Vida e Previdência managed R$52.8 billion in VGBL and R$15.5 billion in PGBL plans. Bradesco Vida e Previdência also managed R$21.5 billion in private pension plans.

Bradesco Vida e Previdência also offers pension plans for corporate customers that are in most cases negotiated and adapted to specific needs of the corporate customer.

Bradesco Vida e Previdência earns revenues primarily from:

- Pension and PGBL plan contributions, life insurance and personal accidents premiums and VGBL premiums; and

- Revenues from management fees charged participants in accordance with mathematical provisions.

Capitalization bonds

Bradesco Capitalização offers its customers capitalization bonds with the option of a lump-sum or monthly contributions. Plans vary in value (from R$8 to R$50,000), form of payment, contribution period, and periodicity of draws for cash prizes of up to R$2.0 million (gross premiums). Customers’ contributions earn interest at a rate of TR plus 0.5% per month over the value of the mathematical provision. Capitalization bonds may be redeemed after a 12-month grace period. As of December 31, 2011, we had around 7.2 million "traditional" capitalization bonds and around 13.0 million incentive capitalization bonds. Given that the purpose of the incentive capitalization bonds is to add value to the products of a partner company or even to provide an incentive for its customer to avoid delinquency, the plans are for short terms and grace periods with low unit sales value. As of December 31, 2011, Bradesco Capitalização had approximately 20.2 million capitalization bonds and 3.1 million customers.

Bradesco Capitalização is the first and only Brazilian capitalization bonds company to be awarded ISO certification. In 2009, it was certified ISO 9001:2008 for the scope of management of plans. This certification awarded by Fundação Vanzolini attests to the quality of its internal processes and confirms the principle seen in the origin of Bradesco's plans: good products and services and continuous improvement.

Bradesco Capitalização S.A. currently has a 'brAAA/Stable' rating from Standard & Poor's and remains the only company in the segment to earn this rating. The robust level of financial and property protection Bradesco assures its customers contributed to this result.

Treasury activities

Our treasury department trading includes derivative transactions, mainly for economic hedging purposes (known as "macro-hedge"). These transactions comply with limits set by our Senior Management and guidelines from our integrated risk control unit using value-at-risk ("VaR") methodology. For more information about our VaR methodology, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk - Value at Risk" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk - Market Risk."

Distribution channels

Our branch network is complemented by other distribution channels such as points of service, banking correspondents, ATMs, telephone banking services, and Internet and mobile banking. In introducing new distribution systems, we have focused on enhancing our security as well as increasing efficiency.

By the end of 2011, we had 4,634 branches, 4,429 points of banking services and 34,839 banking correspondents (Bradesco Expresso) and 3,913 points of service outside of our own ATM network.

For information on our international branches as of December 31, 2011, see "International banking services."

Specialized distribution of products and services

As part of our distribution system, we have five areas that offer a range of different products and services on an individualized in all specific segments of our customer base. By segmenting the market, we aim to cater for different profiles and scales of customers, thus enhancing service and improving efficiency.

Bradesco Varejo

Bradesco is present at 100% of municipalities in Brazil. Bradesco Varejo service network comprises 4,224 branches, 2,824 banking and electronic points of service, 1,605 mini-branches and 34,839 Bradesco Expresso banking correspondent units, in addition to thousands of ATMs.

Bradesco Varejo targets individuals with monthly incomes of up to R$6,999.99 and companies with annual revenues of up to R$30.0 million. As of December 31, 2011, we provided services for over 24.3 million account holders. For a segment of clients called “Exclusive Individuals”, those with monthly incomes between R$3,000.00 and R$6,999.99 as well as corporate clients, Bradesco Varejo offers customized services provided by professionals who present financial solutions according to the needs and expectations of each customer profile.

The service network makes products and services available even at remote or hard-to-reach areas and also at densely populated and low income communities, such as: Rocinha, Cidade de Deus, Rio das Pedras, Complexo do Alemão, Gardênia Azul, Santo Cristo, Cantagalo, Turano and Santa Marta in Rio de Janeiro, and Heliópolis and Paraisópolis in São Paulo.

Bradesco Prime

Bradesco Prime was created in May 2003 to target the high-income segment and provide services for individual customers with either monthly incomes of at least R$7,000 or investments worth at least R$80,000. Its mission is to be the bank of choice for these customers by focusing on quality relationships, and providing solutions for their needs through well-trained teams, adding shareholder and collaborator value while upholding our ethical and professional standards. The value of the Bradesco Prime segment is based on the following assumptions:

- Personalized services provided by relationship managers: Qualified and experienced professionals with certification from ANBIMA, providing full financial advisory services and managing a small number of portfolios;

- Exclusive facilities: Bradesco Prime customers have access to their own network of exclusive branches offering convenience and privacy to tend to their business affairs and can count on “Bradesco Prime Spaces” - special reserved areas at Bradesco Varejo branches - to fully maintain the segment's value proposition. Also at their disposal is the Bradesco nationwide branch network, including "Bradesco Dia & Noite" and "Banco24Horas” ATMs;

- Exclusive products and services: Bradesco Prime has a comprehensive set of differentiated products and services, such as internet banking (www.bradescoprime.com.br), call center (*Fone Fácil* Bradesco Prime), online advisors and investment funds, credit solutions at special rates, a diversified portfolio of insurance, pension plans and credit cards, among others; and

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- Bradesco Prime loyalty program: introduced to further acknowledge and enhance customer relationships. By purchasing products and services, customers gain points that can be converted into benefits such as 12 days of interest-free overdraft, or up to 40% reduced overdraft charges and up to 100% off the package of services.

Bradesco Prime is present in all Brazilian capital cities. Throughout its history, by investing in technology, enhancing customers relationships and training its professionals, Bradesco Prime has earned an outstanding position in the Brazilian market for banking services for high-income customers and has consolidated as the largest banking services provider for these customers in terms of its service network, with 300 branches and 310 Bradesco Prime Spaces strategically positioned to serve over 594,000 customers.

Since 2005, the Bradesco Prime Department has been certified by Fundação Vanzolini as “ISO 9001:2008” in the scope "Bradesco Prime Segment Management," thus showing our commitment to continuous improvement of processes and customer satisfaction.

Bradesco Private Banking

Bradesco Private Banking was created in 2000 for the sole purpose of advising high net-worth individuals, family-owned holding companies and venture capitalist firms with R$2 million or more to invest. Bradesco Private Banking finds the most appropriate financial solution for each customer profile on a tailor-made basis focusing on asset allocation, tax guidance and estate planning.

Bradesco Private Banking has offices located in São Paulo, Rio de Janeiro, Belo Horizonte, Blumenau, Brasília, Campinas, Curitiba, Fortaleza, Manaus, Porto Alegre, Recife, Ribeirão Preto and Salvador. Bradesco Private Banking is supported by our international units in Cayman, New York and Luxembourg.

Bradesco Private Banking earned “ISO 9001:2008” certification for "Customer Relationship Management with High Net Worth Individuals and Management of Integrated Solutions – São Paulo and Rio de Janeiro Offices." It also has the "GoodPriv@cy" (*Data Protection Label* – 2007 *edition*, awarded by *IQNet International Quality Network*) for "Management of Privacy for Data Used in Relationships with High Net Worth Customers – São Paulo Unit.”

Bradesco Empresas

Bradesco Empresas serves companies whose annual revenues range from R$30 million to R$250 million through its 72 business units strategically located in state capitals, as follows: Southeast (44), South (16), Mid-West (4), Northeast (6) and North (2).

Bradesco Empresas offers top quality business management through products such as loans and advances, financing, investments, foreign trade, hedging transactions, cash management and structured transactions in capital markets to ensure customer satisfaction and good results for the organization.

Bradesco Empresas manages funds totaling R$89.0 billion through loans and advances, deposits, funds and collection.

Bradesco Corporate

Our Corporate segment was created in 1999 to serve companies posting annual revenues of more than R$250 million in most cases, served by a team of 141 with centralized relationship management offering both traditional and tailor-made products.

Branch System

The principal distribution channel for our banking services is our branch network. In addition to offering retail banking services, our branches serve as a distribution network for all of the other products and services we offer to our customers, including our payment and collection management services, private banking services, credit cards and asset management products. We market our leasing services through channels operated by our branch network, as well as directly through our wholly owned subsidiaries Bradesco Leasing and Bradesco Financiamentos. Bradesco Corretora and Bradesco Consórcios also market brokerage, trading and purchasing consortium services through our branches. Bradesco Vida e Previdência sells its products through 10,073 independent agents nationwide, most of whom are based on our own premises. Compensation for these agents is commission-based.

We sell our insurance products, pension plans and capitalization bonds through our website, through exclusive brokers based in our network of bank branches, and non-exclusive brokers throughout Brazil, all of whom are compensated on a commission basis. As of December 31, 2011, there were 29,250 brokers were offering our insurance policies to the public. Our capitalization bonds are offered through our branches, the Internet, our call center, ATMs and external distribution channels.

The following table shows the distribution of sales of these products through our branches and externally:

	% of total sales, per product		
	2011	**2010**	**2009**
Insurance products			
Sales through the branches	45.3%	40.0%	40.7%
Sales outside the branches	54.7%	60.0%	59.3%
Pension plans products			
Sales through the branches	76.8%	81.7%	82.5%
Sales outside the branches	23.2%	18.3%	17.5%
Capitalization bonds			
Sales through the branches	84.1%	90.5%	92.3%
Sales outside the branches	15.9%	9.5%	7.7%

Other distribution channels

Our customers have easy access to their account details, to make financial transactions or acquire products and services through self-service digital channels (*Fone Fácil*, Internet and *Bradesco Celular*).

People with disabilities and reduced mobility have access to internet banking services for the visually impaired; personalized service for hearing impaired persons using digital language at *Fone Fácil, Bradesco Celular* for the visually impaired; visual mouse for motor disabled people; and ATM access for customers with visual and physical disabilities.

Self-service network

As of December 31, 2011, our self-service network had 34,516 ATMs strategically distributed across Brazil, providing quick and convenient access to products and services. In addition to Bradesco's ATMs, customers may use the pooled network of 12,455 Banco24Horas machines shared among Bradesco, Banco do Brasil and Banco Santander, which provides transactions such as cash withdrawals, statements, balance status queries, loans, payments and transfers.

Bradesco's self-service network and Banco24horas ATMs executed 2.0 billion transactions in 2011.

Bradesco led banks in Brazil in the use of biometric reading systems. Our system is known as “Segurança Bradesco na Palma da Mão” (Bradesco security in the palm of your hand) and it can identify clients by scanning their hand's vascular pattern as an alternative password for ATM users. This technology is available on 24,119 ATMs and has been used 304.1 million times as of December 31, 2011.

Telephone services – Fone Fácil

Our "Easy Phone" (*Fone Fácil*) facility may be accessed 24/7. Its personalized electronic responses enable customers to obtain information, make transactions and purchase products and services related to their checking or savings accounts and credit cards. To access Fone Fácil, customers use their four-digit passwords and Bradesco security code numbers.

Customers and users use specific numbers to access a number of call centers, in particular internet banking, our network for businesses, purchaser consortiums, private pension plans, and financing.

Hearing impaired customers have separate telephone services using digital language technology so they can inquire about products and services provided by Bradesco.

During 2011, 352.2 million calls were registered, and 364.5 million transactions completed.

Internet

"Portal Bradesco" consists of 87 websites, of which 60 host institutional content and 27 for transactions. Corporate or individual customers may access a range of banking products and services, and make transactions using “*Chave de Segurança Bradesco”* (Bradesco's security code number) in card or electronic form, or mobile-phone integrated.

Users of our institutional websites, whether customers or not, may access information about the Organization´s products and services, reports on our social and environmental initiatives, and specific publications for investors, among other items. Highlights include specific websites for capitalization bonds, purchaser consortiums, insurance, investor relations, social and environmental responsibility and our Retail, Prime, Private, Corporate and Business segments.

Our transactional websites enable individual and corporate customers to complete easy, convenient and secure banking transactions. These websites processed 3 billion transactions in 2011.

In 2011, Bradesco's new version of Internet Banking enhanced the user experience with more than 50 innovative features such as the quick access "A" key, the Smart Payment functionality that automatically recognizes bar codes for each type of payment, and search windows on all pages.

Bradesco Celular

Customers may use mobile phones, conveniently and securely, to obtain the balance of their account, get statements, make payments, buy prepaid mobile phone credits, transfer money, apply for loans, obtain share quotations and track buy and sell orders, among other transactions. Our website “www.bradescocelular.com.br” carries detailed information about the channel's products and services.

Through our text message authorized direct-debit service, pre-registered customers are sent interactive messages and may schedule or pay banking invoices/payment slips registered for automatic direct debit, using text messages to authorize payments.

Bradesco Celular enables customers to reload credits for prepaid cell phones from the phone itself, even if it has no credit.

Using Infocelular, registered customers with mobile phones may be sent text messages relating to various types of banking transactions on their account quickly and securely, sorting by period and amount.

Customers choosing a package of services known as “Bradesco Mobile Bonus Account” get access to various financial services and the cost of the package earns bonus points for prepaid mobile phones. When bonus points are available on a registered mobile phone number, the network operator itself sends a text message showing the credit.

This channel was used to complete 99.1 million transactions during 2011.

Mail services

On December 2011, we ceased our partnership with Empresa Brasileira de Correios e Telégrafos, or ECT, (the government owned postal company) and will not continue with the Postal Bank in 2012.

However, customers who used the services of the Postal Bank remain Bradesco clients, and will be supported by its extensive network of branches and service centers. The clients have complete and quality service wherever they are.

Banking units in retail chains

We have also entered into partnership agreements with retail chains, supermarkets, drug stores, grocery stores, etc., to provide correspondent banking services (mostly to pay bills, withdraw cash from checking and savings accounts, and receive pension payments). These offices are staffed by employees of our business partners, but all credit decisions are made by our employees.

Integrated risk control

The Integrated Risk Control Department is responsible for the following activities:

Risk management

Risk management is of great strategic importance to us due to the increasing complexity of services and products and the globalization of our business. As a result, we constantly seek to improve risk management to reflect changes in the markets in which we operate.

We seek to exercise control over risks in an integrated and independent manner, preserving and valuing collective decision-making, devising and implementing methodologies, models, measurement and control tools. We also promote improvement among employees at all levels, from the business areas to the Board of Directors.

Our risk management process ensures that risks are proactively identified, measured, mitigated, monitored and reported, as required for the complexity of our financial products and the profile of the Organization's activities.

Detailed reporting on our risk management process, reference equity, capital requirements and our exposure to risk can be found in the Report on our Investor Relations website (www.bradesco.com.br/ir).

Risk Management Structure

The structure of our risk management activity consists of statutory and executive committees, responsible for assisting the Organization's Board of Directors and the Diretoria Executiva in making strategic decisions.

The Organization has a statutory committee called the Integrated Risk Management and Capital Allocation Committee, which is tasked with advising senior management on the adoption of institutional policies and limits for risk exposure.

The statutory committee is assisted by our executive committees for risk management of a) Credit; b) Market and Liquidity; c) Operational; d) Grupo Bradesco de Seguros e Previdência; and e) Basel II Implementation. There are also executive committees for our business units, whose tasks include suggesting limits for exposure to their related risks and devising mitigation plans to be submitted to the Integrated Risk Management and Capital Allocation Committee and the Board of Directors.

Credit risk

Credit risk is the possibility of losses associated with a borrower's or counterparty's failure to comply with their contractual liabilities under the terms agreed upon, as well as the depreciation of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, including benefits granted in renegotiations, recovery costs and other amounts related to the counterparty's non-compliance with the financial obligations.

Credit risk management is a continuous and evolving process of mapping, development, assessment and diagnosis through the use of models, instruments and procedures that require a high degree of discipline and control during the analysis of operations in order to preserve the integrity and autonomy of the processes.

We carefully control our exposure to credit risk, which mainly results from loans and advances, financial assets and derivative financial instruments. Credit risk also stems from financial obligations related to loan commitments and financial guarantees.

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In order to ensure the quality expected from the portfolio, committees monitor all relevant aspects of the process of lending, concentration, collateral requirements, maturities, and other aspects.

We aim to map all the activities that could possibly generate exposure to credit risk, classifying them by their probability and magnitude, identifying their managers, as well as their measurement and mitigation plans. Control is exercised on a corporate, centralized and standardized basis.

Credit Risk Management Process

Credit risk management is conducted in an institution-wide, centralized manner. All exposure to risk is analyzed, measured, classified and monitored independently by the Credit Risk area.

The Credit Risk area actively participates in improving the customer risk rating models, following up large risks by periodically monitoring major delinquencies and the provisioning levels for expected and unexpected losses.

The Credit Risk area continuously reviews the internal processes, including the roles and responsibilities, information technology training and requirements, and evaluations of risks during the creation or revision of products and services.

Corporate control and monitoring of the Organization's credit risk take place in the credit risk unit of the Integrated Risk Control Department. In the governance structure for risks, this department coordinates with the Credit Risk Management Executive Committee on discussions and implementation of credit risk methods. Relevant issues discussed in this committee are reported to the Integrated Risk and Capital Allocation Committee, which reports to the Board of Directors.

In addition to the committee meetings, the business area holds a monthly meeting with all officers and heads of products and segments to ensure their positioning on evolution of the portfolio of loans and advances, delinquency, impairment of loans and advances, credit recovery, portfolio limits and concentrations, and other items. This information is also reported to the Audit Committee on a monthly basis.

The business area tracks each internal or external event that may significantly impact credit risk for the organization such as mergers, bankruptcies or crop failures and monitors sectors of economic activity in which the company has most exposure.

Both the governance process and limits are validated by the Integrated Risk and Capital Allocation Committee, submitted for approval by the Board of Directors, and reviewed at least once a year.

Market Risk

Market risk is the possibility of a loss of income due to fluctuating prices and rates resulting from mismatched maturities, currencies and indicators of our asset and liability portfolios.

This risk is carefully identified, measured, mitigated and controlled. We have a conservative exposure profile to market risk, with the market risk guidelines and limits monitored independently on a daily basis.

All activities exposed to market risk are mapped, measured and classified according to probability and magnitude, with their respective mitigation plans duly approved by the governance structure.

Our risk management process involves the participation of all levels of the organization, from business units to the Board of Directors.

Methods used to measure and control market risk include VaR, Economic Value of Equity (“EVE”), stress testing and sensitivity analysis, and limits for earnings management and financial exposure.

In order to determine our trading portfolio risk, we use the VaR Delta-Normal one-day methodology with a 99% confidence level and for calculating volatilities and correlations we use statistical methods that allocate more weighting to recent returns. The VaR methodology provides an estimate of maximum potential loss that may be expected for a given adverse event, and volatilities and correlations are derived from statistical methods. Measurement and management of the banking portfolio's interest rate risk are based on the EVE methodology, which measures the economic impact on our positions of economic scenarios devised by the Organization in order to determine positive and negative trends in interest rate yield curves that may affect our investment and funding.

As the New Capital Accord states, financial institutions may use internal models to determine risk. In order to ensure continuous improvement of our risk management process, we applied with the Central Bank to use internal market risk models in June 2010. Our application is currently under review.

In line with best practices for corporate governance and in order to preserve and strengthen our management of market and liquidity risks, as well as to meet the requirements of CMN Resolution No. 3,464/07, the Board of Directors approved the Market and Liquidity Risk Management Policy, which is reviewed every year by the relevant committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market and liquidity risk.

In addition to this policy, we have several specific rules that regulate the market and liquidity risk management process, including:

- classification of operations;
- reclassification of operations;
- trading in Government or private securities;
- use of derivatives; and
- hedge.

Market Risk Management Process

Our market risk management process is run on a corporate wide, centralized and independent basis. This process involves diverse areas with specific duties, with the aim of ensuring an efficient structure in the measurement and control of market risk. The management process, approved by the Board of Directors, is also revalidated annually by the relevant committees and the Board of Directors itself.

Proposed market risk limits are validated by specific business committees for approval by the Integrated Risk and Capital Allocation Committee, to be submitted to the Board of Directors depending on the characteristics of operations, which are separated into the following portfolios:

Trading portfolio: comprises all operations involving financial instruments, including derivatives, held-for-trading or used to hedge other instruments in the trading portfolio, which have no trading restrictions. Held-for-trading operations are those destined for resale, to obtain benefits from actual or expected price variations, or for arbitrage.

Banking portfolio: comprises operations not classified in the trading portfolio and consists of structural operations arising from our diverse business lines and their respective hedges.

For the trading portfolio, we monitor the following limits:

- risk;
- stress;
- results; and
- financial exposure.

For the banking portfolio, we monitor the following limits:

- interest rate risk; and
- equities portfolio.

Market risk is controlled and monitored primarily by an independent business unit, the Integrated Risk Control Department, which calculates risk of outstanding positions on a daily basis, consolidates results and reports as required by the existing governance process.

In addition to daily reports, exposures are discussed weekly by Treasury's executive committee, which assesses results and risks and discusses and validates strategies for the next few weeks. Both governance process and limits are validated by the Integrated Risk and Capital Allocation Committee and submitted for approval by the Board of Directors, and reviewed at least once a year.

For more information on how we evaluate and monitor market risk, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Liquidity risk

Liquidity risk relates to mismatched cash flows arising from the difficulty of quickly disposing of an asset or obtaining funds, thus preventing outstanding positions from being settled or generating outstanding liabilities.

Understanding and monitoring this risk is crucial, especially for our Organization to be able to settle transactions in a timely and secure manner.

Liquidity Risk Management Process

We manage our liquidity risk process on a corporate wide basis with centralized monitoring which includes monitoring available funds, compliance with minimum liquidity levels, and contingency planning for high-stress situations.

The Organization's policy for risk management and market liquidity is approved by the Board of Directors, whose objectives include ensuring standards, criteria and procedures to guarantee the establishment of the Minimum Liquidity Reserve (RML), as well as the strategy and action plans for liquidity crisis situations. The policy and controls we established fully comply with CMN Resolution No. 2,804/00.

Our criteria and procedures determine the minimum liquidity reserve to be maintained on a daily basis and the types of assets considered as funds available. Additionally, we determine instruments for management of liquidity in normal and crisis scenarios, with strategies to be followed in each case.

Our Treasury Department manages liquidity risk and our back-office controls positions, provides liquidity information to our management and monitors compliance with established limits. The Integrated Risk Control department is responsible for measuring liquidity reserve requirements, reviewing policies, standards, criteria and procedures, and drafting reports for new recommendations.

Liquidity risk is monitored at meetings of Treasury's executive committee, which controls liquidity reserves and maturity and currency mismatches. Additionally, monitoring activity is also conducted by the Risk Management and Market Liquidity executive committee, the Integrated Risk and Capital Allocation committee and the Board of Directors.

Operational Risk

Operational risk is the loss resulting from inadequate or faulty internal processes, people, systems and external events. This includes legal risk, but does not consider strategic and reputational risks.

Operational Risk Management Process

We take a corporate wide, centralized and independent approach to monitor the evolution of our business and minimize the existence of gaps that may compromise the quality of our operational risk management process, which is conducted within the following framework:

- jointly identifying events arising from operational risk events and reporting loss events;
- standardizing the reporting format for various departments through the Internal Corporate Control Risk system developed by our Integrated Risk Control department for daily and/or monthly delivery of operational risk event data;
- receiving, processing and reconciling data for entering in the corporate operational risk database; and
- using the database for statistical modeling of events to calculate operational VaR.

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The Integrated Risk Control department controls and monitors the Organization´s operational risk. It holds meetings with other departments to discuss subjects related to management of operating losses and the effectiveness of control measures implemented to mitigate existing and potential risks and new ones that may arise. This involves using a set of data, both internal and external, scenarios and indicators for continuous monitoring of unexpected events over a 1-year period.

The Integrated Risk Control Department coordinates the Operational Risk Management Executive Committee, and relevant subjects are reported to the Audit Committee and subsequently the Integrated Risk Management and Capital Allocation Committee, which reports to the Board of Directors.

The governance process is approved by the Board of Directors and reviewed at least once a year.

Management of internal controls and compliance

The mission of the Internal Controls and Compliance Department is to independently exercise and support management of internal controls, compliance activities and operational validation of internal models used to measure risk in the Organization as well as institutionally providing services in relation to preventing money laundering and financing of terrorism.

Internal control area

Based on a policy defined and approved by the Board of Directors, the Organization maintains all components of the internal controls system up-to-date, to mitigate possible potential losses arising from risk exposure and to strengthen processes and procedures focused on Corporate Governance.

The Internal Controls Area is in charge of:

- determining criteria and methodologies to identify, classify, evaluate and monitor risks and their controls;

- devising and disseminating technical instructions, criteria and procedures related to internal controls or operational compliance for all compliance agents assigned to departments and affiliated companies; and

- applying operational self-evaluation in the branch network, Prime and Varejo segments, in order to assess perception of branch-level management and compliance for internal controls of administrative and business activities undertaken in these units. Consolidated results are included in compliance reports submitted to Audit and Internal Controls and Compliance committees, the Diretoria Executiva and the Board of Directors.

Internal Controls Management Methodology

The effectiveness of the organization's internal controls is based on our staff, processes and technology. In this context, our skilled professional staff is working exclusively on previously defined and determined processes with the appropriate technology for business needs.

Policy for Internal Controls and Compliance and Risk and Controls management methods are duly formalized and aligned with the main control frameworks such as the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and Control Objectives for Information and Related Technology ("COBIT"), which cover both business and technology aspects.

The Organization manages its main risks comprehensively, based on a methodology that includes the following eight activities to determine the effectiveness of our internal controls:

- **Activity 1 -** Formalizing the process – documenting the flow of operational processes related to products, services and activities;

- **Activity 2 -** Identifying risk events – identifying the potential risk events, generated either by external or internal activities, or both;

- **Activity 3 -** Assessing risks/ Answering on risks/ Assessing controls – classifying and measuring exposure to inherent risks, establishing the respective type of answer (Accept, Avoid, Mitigate or Transfer the risk), identifying the existence and adequacy of the layout and effectiveness of associated control;

- **Activity 4 -** Acting on risks – identifying gaps, preparing and following up on the implementation of action plans to correct anomalies or improve existing controls;

- **Activity 5 -** Monitoring – monitoring the process layout and the behavior of its risks and controls, in view of associated losses;

- **Activity 6 -** Performing adherence tests – ensuring, by means of formal execution of adherence tests, that the control definition is adequate and that the activity of controlling has been exercised effectively;

- **Activity 7 -** Applying corporate self-evaluation – applying questionnaires to our employees to evaluate levels of knowledge, understanding and compliance with issues involving integrity, ethical and moral values, policies and rules relating to risk and control management; and

- **Activity 8 -** Reporting – reporting evaluation results and risk and control behaviors to the appropriate levels of management.

Prevention of Money Laundering and Terrorism Financing

The Organization maintains specific policies, processes and systems so as to prevent and/or detect the utilization of its structures, products and services for money laundering and terrorist financing purposes.

We make significant investments in staff training and programs and these include various formats, such as booklets, videos, e-learning courses and classroom sessions specifically tailored to different business areas that require them.

Any suspect or atypical cases identified are evaluated by a standing committee of members from various areas and departments to decide whether they should be forwarded to the appropriate authorities.

The program is supported by the "Prevention and Combat of Money Laundering and Terrorism Financing Executive Committee," which meets every three months to assess work and the need for procedures aligned with the standards set by regulatory agencies and best practices locally and internationally.

Area of independent validation of models

Internal models to provide support for business, whether they are created based on statistical data or based on specialists' knowledge, make it easier to structure critical issues, to create and improve processes and standardize and streamline decisions in the context in which they are inserted, in addition to being an important means of retaining knowledge.

On the other hand, internal models also pose inherent risk if they are inadequately designed, developed, implemented, used, maintained, or updated.

Following guidelines and directives posed by the New Capital Accord - Basel II and complying with Central Bank requirements, our internal risk-management models are subject to a continuous review process known as "independent validation process" to ensure quality and appropriate responses for their goals.

There is a specialized business area in charge of independent validation for models, which operates independently of the areas that develop or use models, and reports on its activities and results to managers, internal audit and the Integrated Risk Management and Capital Allocation Committee.

The main responsibilities of the area of independent validation of models are:

- managing the inventory of models;

- defining the methodology for carrying out independent validation considering the model and market practices;

- defining and demanding data needed for independent validation and testing programs;

- perform predetermined validation activities independently from developers and users;

- submit a report to the model on the independent validation and recommend steps to improve models; and

- provide reports and materials used in the independent model validation process for internal auditing.

Corporate security

The Corporate Security Department was created in September 2009 in order to strengthen fraud prevention, data security, and business support systems. It reports to the *Diretoria Executiva* and its main purpose is to act on the strategic corporative level to ensure the functioning of the self-service network channels and information systems, as well as to access, process and propose improvements to prevent any critical exposure to vulnerability, based on a global overview of incidents and trends obtained internally and externally. The department also acts as the focal point to compile technical reports on strategic security aspects, and our implementation of products, services or processes.

Among the main "Corporate Security Global Vision" items, we highlight the following:

- defining our system for data security management, based on our corporate policy for information security and a set of directives and guidelines dealing with the principles of confidentiality, integrity and availability. The objective is to protect the information assets of our Organization and our customers. These activities are complemented by awareness and training initiatives for all our collaborators, and by assessments of data-security risks for our products, services and processes;

- our fraud-prevention and electronic-channel security areas are tasked with managing processes to detect and mitigate risks in order to prevent any financial losses or adverse effects to the Organization´s image. They monitor transactions on electronic service channels and track strategic and corporate actions in order to propose solutions to managers of technical and business areas, thus enhancing security to products and electronic service channel accesses; and

- orientation for access to security management applications at the strategic organizational level in order to protect systemic resources, and work with the business and technology units in order to identify acceptable risk levels, establishing processes to safeguard and protect information.

Credit policy

Our credit policy is focused on:

- ensuring the safety, quality, liquidity and diversification of asset allocation;

- pursuing flexibility and profitability in business; and
- minimizing risks inherent to loans and advances.

Our credit policy defines criteria for lending and setting operational limits. Credit decisions are made at the branch level and, if necessary, higher levels of authority including our board directors depending on the rules in our internal policy. In reviewing loan applications, our executive board also approves the models for assessment and credit processes used by our branches and departments for each type of loan.

Our transactions are diversified and target individuals and companies that show ability to pay and stay in good standing. In all cases, we aim to have them secured by appropriate collateral for risks involved, from the point of view of uses of funds and repayment periods, as well as risk ratings. The Central Bank´s risk rating system has nine categories ranging from "excellent" to "very poor." For more details, see "Item 4.B. Business Overview - Regulation and Supervision - Banking regulations - Treatment of loans and advances."

The lending limits set for our branches reflect size and collateral provided for loans. However, branches have no authorization to approve an application for credit from any borrower who:

- is rated less than "acceptable" under our internal credit risk classification system;
- does not have an updated record; and
- has any significant reservation in records.

We have credit limits for each type of loan. We pre-approve credit limits for our individual and corporate customers and presently extend credits to the public sector only under very limited circumstances. In all cases, funds are only granted once the appropriate body has approved the credit line.

We review the credit limits of our large corporate customers every 180 days. Credits extended to other customers, including individuals, small and midsized corporations, are reviewed every 90 days.

Loans and advances to individual customers

For individual customers, depending on the proposed collateral, the size of the branch and suitable credit parameters, branches may authorize loans of up to R$50,000.00. If value and type of collateral are not within the limits established for approval at the branch level, an application is submitted to the Credit Department and, if necessary, higher levels of authority. The following table shows individual loan limits for approval by branch managers, depending on the value and type of collateral offered.

	R$ in thousands	
Total Risk Amount	**Loan with no bona fide guarantee**	**Loan with bona fide guarantee**
Decision making authority		
Manager of very small branch (1)	up to 5	up to 10
Manager of small branch (2)	up to 10	up to 20
Manager of average branch (3)	up to 15	up to 30
Manager of large branch (4)	up to 20	up to 50

(1) Branch with total deposits equal to or below R$1,999,999;
(2) Branch with total deposits equal to or between R$2,000,000 and R$5,999,999;
(3) Branch with total deposits equal to or between R$6,000,000 and R$14,999,999; and
(4) Branch with total deposits equal to or above R$15,000,000.

We use a specialized credit scoring evaluation system to analyze these loans, allowing us to build a level of flexibility and accountability, besides standardizing the procedures in the process of analyzing and deferring loans. All models are constantly monitored and revised whenever necessary. Our Credit Department has a dedicated team developing models and working on continuous improvement of these tools.

We provide our branches with tools that allow them to analyze loans and advances for individual clients in a rapid, efficient and standardized manner and to produce the corresponding loan contracts automatically. With these tools, our branches can respond quickly to clients, keep costs low, and control the risks inherent to consumer credit in the Brazilian market.

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The following table shows limits established for approval of loans to individuals outside the discretion of our branches:

Total Risk Amount	R$ in thousands
Decision making authority	
Credit department	up to 12,000
Credit director	up to 15,000
Executive credit committee (Daily Meeting)	up to 50,000
Executive credit committee (Plenary Meeting)	up to 2,000,000
Board of Directors	over 2,000,000

Loans and advances to corporate customers

For corporate customers, depending on the collateral proposed, the size of the branch and suitability in terms of credit parameters, loans of up to R$400,000 may be approved at the branch level. If the collateral offered is not within the limits for approval at the branch level, the loan is submitted to the Credit Department and, if necessary, higher levels. The following table shows limits within which branch managers may approve business loans, depending on the amount and type of credit support offered:

	R$ in thousands	
Total Risk Amount	Loan with no bona fide guarantee	Loan with bona fide guarantee
Decision making authority		
Manager of very small branch (1)	up to 10	up to 60
Manager of small branch (2)	up to 20	up to 120
Manager of average branch (3)	up to 30	up to 240
Manager of large branch (4)	up to 50	up to 400
Manager of Bradesco Empresas branch (5)	up to 100	up to 400

(1) Branch with total deposits equal to or below R$1,999,999;
(2) Branch with total deposits equal to or between R$2,000,000 and R$5,999,999;
(3) Branch with total deposits equal to or between R$6,000,000 and R$14,999,999;
(4) Branch with total deposits equal to or above R$15,000,000; and
(5) Branch with exclusive middle market companies.

The following table shows limits established for approval of loans to corporate customers outside the discretion of our branches:

Total Risk Amount	R$ in thousands
Decision making authority	
Credit department	up to 12,000
Credit director	up to 15,000
Executive credit committee (Daily Meeting)	up to 50,000
Executive credit committee (Plenary Meeting)	up to 2,000,000
Board of Directors	over 2,000,000

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In order to serve customers' needs as soon as possible and more securely, the credit department uses segmented analyses with different methodologies and instruments for credit analysis in each segment, in particular:

- in the "Varejo," "Prime" and "Private – Individuals" segments, we consider the individual's reputation and credit worthiness, profession, monthly income, assets (goods and real property, any liabilities or interests in companies), the bank indebtedness and history of their relationship with Bradesco, checking loans and advances for repayment dates and rates as well as and the guarantees involved;

- in the "Varejo – Corporate Customers" segment, in addition to the points above, since at this type a company's business affairs are related to those of its owners, and we also consider the period in business and the monthly revenues;

- In the "Empresas" (middle market) and "Corporate" segments, management capability, the company/group's positioning in the market, its size, the economic-financial evolution, cashflow capability, and business perspectives, our analysis always includes the proponent, its parent company/subsidiaries, and the type of business; and

- This also includes analyses of social and environmental risk for projects that require customers to show compliance with social and environmental regulations and the Equator Principles, consisting of socioenvironmental criteria required as conditions for loans, which was introduced in 2002 by the International Finance Corporation (IFC), the World Bank's financial arm.

Deposit-taking activities

Our principal source of funding is deposits from Brazilian individuals and businesses. As of December 31, 2011, our total deposits were R$217.4 billion, representing 32.8% of our total liabilities.

We provide the following types of deposit and registration accounts:

- checking accounts;

- savings accounts;

- time deposits;

- interbank deposits from financial institutions; and

- accounts for salary purposes.

The following table shows total customer deposits and deposits from banks by type and source, as of the dates indicated:

As of December 31,	**% of total deposits**	**R$ in thousands**		
	2011	**2011**	**2010**	**2009**
From customers				
Demand deposits	15.0%	32,535,978	35,775,239	34,211,087
Savings deposits	27.4%	59,656,319	53,435,652	44,162,309
Time deposits	57.1%	124,128,641	102,157,837	90,537,014
Others	-	-	1,107,220	1,035,706
Deposits from banks				
Demand deposits	0.3%	583,017	449,671	416,753
Interbank deposits	0.2%	519,786	275,445	752,060
Total	**100.0%**	**217,423,741**	**193,201,064**	**171,114,929**

Under monetary authority regulations, we must place a percentage of the demand deposits, savings deposits and time deposits we receive from our customers and deposits from leasing companies and foreign-currency short positions with the Central Bank as compulsory deposits, as follows:

- Demand deposits: we are required to deposit 43.0% of the average daily balance of our demand deposits and deposit accounts for investment in excess of R$44.0 million with the Central Bank on a non-interest-bearing basis;

- Savings deposits: each week we are required to deposit in an account with the Central Bank an amount in reserves equivalent to 20.0% of the total average balance of our savings account deposits. The account bears interest annually at TR plus interest rate of 6.2%;

- Time funds: we are required to deposit in an account with the Central Bank 20.0% of the amounts recorded under the following items: (a) time deposits; (b) leasing companies' CDIs; (c) currency exchange acceptance funds; (d) notes backed by debentures; (e) securities issued by the bank itself; and (f) contracts assuming liabilities related to foreign transactions in excess of R$30.0 million. The amount required is collected in cash and we earn remuneration on the amount deposited at the SELIC rate, although the balance earning remuneration may not exceed the lesser of the following:(a) the amount required less deductions stipulated in rules issued by the Central Bank; and (b) the amount required multiplied by the following percentages: (i) 80%, for the calculation period starting on February 13, 2012, and for the compliance period starting on February 24, 2012; (ii) 75% for the calculation period starting on April 9, 2012, and for the compliance periods starting April 20, 2012; (iii) 70% for the calculation period starting on June 11, 2012 and for the compliance periods starting June 22, 2012; (iv) 64% for the calculation period starting on August 13, 2012 and for the compliance periods starting August 24, 2012; (v) 73% for the calculation period starting on February 10, 2014 and for the compliance periods starting February 21, 2014; (vi) 82% for the calculation period starting on April 14, 2014 and for the compliance periods starting April 25, 2014; and (vii) 100% for the calculation period starting on June 9, 2014 and for the compliance periods starting June 20, 2014. The amount required may be deposited after deduction of an amount equal to certain transactions made by our Bank, and this deduction is limited to 36% of the amount required. With this schedule, and by not remunerating a part of our time deposits, the intention of the Central Bank was to stimulate the investment by major banks in the acquisition of credit portfolios from smaller banks, since we are allowed to invest up to 36% of our compulsory time deposits for that purpose; and

- Short position in foreign exchange: we are required to make daily deposits amounting to 60% of our short position in foreign exchange, net of our long position, less the lower of the: (i) US$1 billion; or (ii) the amount corresponding to our current Tier I regulatory capital. We make cash deposits on a non-interest-bearing basis by the second business day after determining our foreign exchange position, without any exchange rate adjustment.

In addition, we are required to deposit each week in an account with the Central Bank an additional amount corresponding to (a) 12.0% on the average time deposits balance and of demand account deposits (percentages applicable as of December 20, 2010, after changes in reserve requirement rules published in the same month) plus (b) 10.0% of the average balance of our saving account deposits. This additional amount is provided in reserves and we earn interest at the SELIC rate.

Present Central Bank regulations require that we:

- allocate a minimum of 28.0% of cash deposits to providing rural credit (if we do not do so, we must deposit the unused amount in a non-interest bearing account with the Central Bank);

- allocate 2.0% of demand deposits received to micro credit transactions; and

- allocate a minimum of 65.0% of the total amount of deposits in savings accounts to finance residential real estate or housing construction. Amounts that can be used to satisfy this requirement include direct residential real estate financings, mortgage notes, charged-off residential real estate or housing construction loans and certain other financings, all as specified in guidance issued by the Central Bank.

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Savings deposits in Brazil typically only pay interest at the TR reference rate plus 6.2% per year, after funds have been left on deposit for at least one calendar month by individuals or non-profit entities, and 90 days by profit-corporations. Income from individual savings accounts is exempt from income tax.

CDBs pay either a fixed or a floating rate, which is typically a percentage of the interbank interest rate. The breakdown between CDBs at pre-fixed rates and floating rates varies from time to time, depending on the market's interest rate expectations.

Demand deposits, deposits allowing withdrawal with prior notice, checking accounts providing investment opportunities, savings accounts deposits, term deposits with or without issue of certificates, mortgage notes, bills of exchange, mortgage notes and deposits in non-checking accounts used for recording and controlling the flow of funds referring to services from processing payments of salaries other payments, pension and other similar services are guaranteed, by the Credit Guarantee Fund, known as "FGC," for up to R$70,000 per customer or deposit account, in the event of a bank being liquidated.

We issue interbank deposit certificates (CDIs) to other financial institutions. Trading in these CDIs is restricted to the interbank market. They are traded at a pre- or post-fixed rate for one day or longer terms.

Other funding sources

Our other funding sources include capital markets, import/export operations and onlending.

The following table sets forth the source and amount of our other funding sources as of the dates indicated:

As of December 31,		**R$ in thousands**	
	2011	**2010**	**2009**
Funding Sources			
Real estate credit notes	2,143,931	776,787	-
Agribusiness notes	2,538,970	1,699,710	1,585,957
Mortgage notes	1,309,705	1,277,455	898,598
Financial notes	27,101,075	7,801,246	-
Euronotes	4,470,662	1,659,951	236,843
Subordinated debt	26,910,091	26,314,946	23,103,977
Debentures (non-convertible)	-	743,127	740,452
Securities issued through securitization of payment orders and credit card receivables	4,066,626	3,851,489	4,220,948
Funding in the open market	149,940,436	132,999,577	91,571,421
Borrowings	17,257,442	7,989,907	8,005,136
Onlendings	35,989,495	30,206,317	19,322,600
Total	**271,728,433**	**215,320,512**	**149,685,932**

Our capital markets operations act as a source of funding for us through our transactions with financial institutions, mutual funds, fixed income and equity investment funds and foreign investment funds.

As of December 31, 2011, 2010 and 2009, funding in the open market accounted for, respectively, 55.2%, 61.8% and 61.2%, respectively of our other funding sources. These amounts include securities attached to repurchase agreements mainly comprising Brazilian government securities and corporate debt securities. This type of operation is usually short-term and volatile in terms of volume since they are directly impacted by market liquidity.

In order to provide our customers with loans through onlending, including credit lines for import and export finance, we maintain credit relationships with various American, European, Asian and Latin American financial institutions.

We conduct onlending operations where we act as the transfer agent for development agency funds, granting credits to third parties, which are in turn funded by development organizations. BNDES, the IBRD and the IDB are the principal providers of these funds. The lending criteria, the decision to lend and the credit risk are our responsibility and subject to certain limitations set by the bodies supplying the funds.

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We issued financial notes, a product that was introduced to the market at the beginning of 2010, aimed at meeting demand for long-term finance. These transactions are for individuals and companies that prefer better returns to liquidity. Longer repayment terms contribute to the desired lengthening of the repayment schedule for the banking system's liabilities, since average repayment periods have also become longer due to the growing share of housing finance and investments of the total loan portfolio.

Processing systems

The Organization's data processing and communication systems are located in Cidade de Deus, Osasco – SP, in a building called the Information Technology Center (CTI). This 11,900 square meter facility was built especially to house our IT infrastructure, and has all the requirements for class-4 certification from Uptime Institute, which ensures 99.995% availability.

Data is continuously replicated in a Processing Center located at Alphaville, in the city of Barueri - SP, featuring equipment with enough capacity to take over the main system's activities in case of a problem at our Technology Center (CTI). All service channels have telecommunications services that work with either of the two processing centers. We hold annual exercises simulating situations in which our IT center is impeded in order to ensure that we have effective contingency structures, processes and procedures in place. These exercises involve our business managers and are monitored by independent auditors. In addition to all backup copies of electronic files stored and maintained at our IT center, second copies are saved and maintained in the Alphaville Processing Center.

Alphaville's IT infrastructure also houses all activities for developing application systems.

If the public energy supply is interrupted, both centers have sufficient capacity to operate independently for 72 hours non-stop. After this period, Technology Centers can operate continuously if power generators are refueled.

The IT structure is backed by processes implemented in light of the ITIL (IT Infrastructure Library) reference and applies recognized practices for IT service management.

The Organization has intruder detection, antivirus and antispam systems designed to provide IT protection. Moreover, the Organization continuously upgrades the security of its main software programs. We use web server digital certification and HSM 8000 cryptographic and ICSF coprocessor equipment. Periodic assessments of IT environments are made using specific tools for this purpose. An independent auditing firm tests the Organization´s IT protection systems on an annual basis.

Our internet systems have a separate infrastructure, enabling different customer segments (individuals, corporate, staff) to use resources independently.

Seasonality

We believe that seasonality does not materially affect our business.

Competition

We face significant competition in all of our principal areas of operation, since the Brazilian financial and banking services market are highly competitive and have been through an intensive consolidation process in the past few years.

As of December 31, 2011, publicly owned financial institutions held 42.7% of the national financial system's assets, followed by private sector locally owned financial institutions (taking into consideration financial conglomerates) with a 38.8% share and foreign-controlled financial institutions, with a 18.5% share.

Public-sector financial institutions play an important role in the banking sector in Brazil. Essentially, they operate within the same legal and regulatory framework as private-sector financial institutions, except that certain banking transactions involving public entities must be made exclusively through public-sector financial institutions (including, but not limited to, depositing federal government funds or judicial deposits).

As of December 31, 2011, according to Central Bank, there were 178 financial conglomerates providing a wide full range of services including: (i) 139 multiple banks; (ii) 20 commercial banks; (iii) 14 investment banks; (iv) four development banks; and (v) one savings bank (namely Caixa Econômica Federal). For further information on risks related to competition, see "Item 3.D. Risk Factors – Risks Relating to Bradesco and the Brazilian banking industry – The increasingly competitive environment in the banking and insurance segments in Brazil may negatively affect the prospects of our business."

Credit cards

The Brazilian credit card market is highly competitive, with approximately 173.3 million credit cards issued as of December 31, 2011, according to ABECS. Our primary competitors are Banco do Brasil, Banco Itaú Unibanco, and Santander Brasil. Management believes that the primary competitive factors in this area are interest rates, annual fees, card distribution network and benefits offered.

Leasing

In general, the Brazilian leasing market is dominated by companies affiliated with vehicle and equipment producers and large banks. We currently enjoy certain competitive advantages, as we have a larger service network than any of our private sector competitors.

Asset management

BRAM is one of the main players in the asset management industry in Brazil, with a market share of 11%, according to the Global Fund Management Ranking, published by Anbima in December 2011. The main competitors are Banco do Brasil and Banco Itaú.

BRAM's competition strategy is to reaffirm its leadership in fixed income and equities management, supporting the portfolio managers' experience and success with a fundamental approach built from a strong team of analysts and an independent team of macroeconomists.

In 2011, BRAM advanced its internationalization strategy by launching a fund for small- and medium-cap Brazilian stocks. This new fund is part of Bradesco Global Funds, which was launched by Bradesco in September 2009 and currently has four different strategies. These funds are domiciled in Luxembourg and target exclusively foreign investors.

In addition to its own platform, BRAM has strong partnerships with the Bank of Tokyo-Mitsubishi UFJ in the Japanese market and Banchile in the Chilean market.

Insurance, pension plans and capitalization bonds

Insurance sector

As of December 31, 2011, Grupo Bradesco Seguros, the leading insurance company in the Brazilian market with a 25.6% market share of insurance premiums, pension plans and capitalization bonds faces increased competition from a number of Brazilian and multinational corporations in all types of insurance business.

As of December 31, 2011, our principal competitors were Banco do Brasil S.A., Itaú Unibanco Seguros S.A., Sul América Cia. Nacional Seguros, Porto Seguros Cia. de Seguros Gerais, Caixa Seguros, Santander Seguros and HSBC Seguros, which accounted for a combined total of approximately 55.8% of all premiums generated in the market, as reported by SUSEP. Although nationwide companies underwrite the majority most insurance business, we also face competition from local and regional companies, particularly in the health insurance segment, where they are able to operate at lower cost, or specialize in providing coverage for specific risk groups.

Competition in the Brazilian insurance industry changed in the past few years as foreign companies started to form joint ventures with Brazilian insurance companies with more experience in the local market. For example, the Dutch Group ING acquired an interest in one of the Sul América Group companies. Hartford has been operating in Brazil for years through a joint venture with the Icatu Group. AXA, Allianz, ACE, Generalli, Tokio Marine, Zurich acquired associations with the Minas Brasil and Santander groups. Other international insurers offer products in Brazil through their own local facilities.

We believe that the principal competitive factors in this area are price, financial stability, name recognition and services. At the branch level, we believe competition is primarily based on the level of services, including the handling of claims, level of automation and development of long-term relationships with individual customers. We believe that our ability to distribute insurance products through our branch network gives us a competitive advantage over most other insurance companies. Because most of our insurance products are offered through our retail banking branches, we benefit from certain cost savings and marketing synergies compared with our competitors. This cost advantage could become less significant over time, however, as other large private banks begin using their own branch networks to offer insurance products through exclusive agents.

Pension plan sector

The monetary stabilization brought by the Real Plan stimulated the pension plan sector and the Brazilian market attracted new international players, such as Principal, which created Brasilprev in association with Banco do Brasil; Hartford, through a joint venture with the Icatu Group; ING, through a partnership with Sul América; MetLife; Nationwide and others.

In addition to monetary stability, factors contributing to heightened competition were favorable tax treatment and the prospects of more far-reaching reform of Brazil's social security system.

Bradesco Vida e Previdência is currently the pension plan market leader with 33.5% of total assets under management in the sector, according to Fenaprevi.

We believe that the Bradesco brand name, together with our extensive branch network, strategy, our record of being in the forefront and our product innovation, are our competitive advantages.

Capitalization bonds sector

The capitalization bonds market has been competitive since 1994, when exchange rates became more stable and inflation came under control. As of December 31, 2011, Bradesco Capitalização was the second in the industry ranking with 21.6% of revenues from capitalization bonds and 23.1% in terms of technical provisions, according to SUSEP.

Our principal competitors in the capitalization bonds sector are: Brasilcap Capitalização S.A., Itaú Unibanco Capitalização S.A., Caixa Capitalização S.A., Sul America Captalização, Santander Capitalização S.A., Aplub Capitalização and Icatu Seguros.

The principal competitive factors in this industry are offering low-cost products with more frequent prize draws, security, financial stability and brand recognition.

REGULATION AND SUPERVISION

The basic institutional framework of the Brazilian Financial System was established in 1964 by Law No. 4,595/64, known as the "Banking Reform Law." The Banking Reform Law dealt with monetary, banking and credit policies and institutions, and created the (CMN).

Principal financial institutions

As of December 31, 2011, 13 financial conglomerates operated in Brazil, consisting of public-sector commercial and multiple-service banks controlled by federal and state governments (including Caixa Econômica Federal) and 151 financial conglomerates consisting of private-sector commercial and multiple-service banks. For Brazilian regulatory purposes, insurance companies, private pension plans and capitalization bonds providers are not considered financial institutions.

Public-sector financial institutions

Brazil's federal and state governments control several commercial banks and financial institutions. The primary purpose of these institutions is to foster economic development. Government-owned banking institutions play an important role in the Brazilian banking industry. These institutions hold a significant portion of the banking system's total deposits and total assets and are the principal lenders of government funds to industry and agriculture. In the last ten years several public-sector multiple-service banks have been privatized and acquired by Brazilian and foreign financial groups.

The principal government-controlled banks include:

- *Banco do Brasil*, under federal government control, which provides a full range of banking products to the public and private sectors. Banco do Brasil is the largest multiple-service bank in Brazil and the primary financial agent of the federal government;

- BNDES, a development bank wholly owned by the federal government, is the largest bank in terms of long-term loans for investments across all sections of the economy, focusing on mitigating social and regional inequality and protecting the environment; and

- *Caixa Econômica Federal*, a multiple-service bank wholly owned by the federal government which acts as the principal agent of the government-regulated housing finance system. Caixa Econômica Federal is ranked first among Brazilian banks in terms of savings accounts and housing finance.

Private sector financial institutions

As of December 31, 2011, Brazil's private-sector financial industry comprised:

- 165 financial conglomerates (including commercial, investment and multiple-service banks) that provide a full range of commercial banking, investment banking (including underwriting and trading in securities), consumer finance and other services including fund management and real estate finance; and

- 59 consumer credit companies, 126 securities dealers, 146. securities and foreign exchange brokerage firms, 31 leasing companies, 11,339 investment funds and 14 savings and loans associations / real estate financing companies.

Principal regulatory agencies

CMN

CMN, currently the highest authority responsible for Brazilian monetary and financial policy, is responsible for overall supervision of monetary, credit, budgetary, fiscal and public debt policies. CMN has the following functions:

- regulating lending by Brazilian financial institutions;
- regulating Brazilian currency issue;
- supervising Brazil's reserves of gold and foreign exchange;
- determining saving, foreign exchange and investment policies in Brazil; and
- regulating capital markets in Brazil.

In December 2006, CMN asked the CVM to devise a new "Risk-Bases Supervision System" in order to: (i) identify risks to which the market is exposed; (ii) rank these risks by their potential for harm; (iii) establish mechanisms for mitigating these risks and the losses they might cause; and (iv) control and monitor the occurrence of risk events. Among other effects, this system enables fast-track reviewing for the process of issuing securities.

Central Bank

The Central Bank is responsible for:

- implementing currency and credit policies established by the CMN;
- regulating and supervising public and private sector Brazilian financial institutions;
- controlling and monitoring the flow of foreign currency to and from Brazil; and
- overseeing the Brazilian financial markets.

The Central Bank's chairperson is appointed by the president of Brazil for an indefinite term of office, subject to approval by the Brazilian senate.

The Central Bank supervises financial institutions by:

- setting minimum capital requirements, compulsory reserve requirements and operational limits;
- authorizing corporate documents, capital increases, acquisition of interest in new companies and the establishment or transfer of principal places of business or branches (in Brazil or abroad);
- authorizing changes in shareholder control of financial institutions;
- requiring the submission of annual and semiannual audited financial statements, quarterly revised financial statements and monthly unaudited financial statements; and
- requiring full disclosure of loans and advances and foreign exchange transactions, import and export transactions and other directly related economic activities.

CVM

The CVM is responsible for regulating the Brazilian securities markets in accordance with securities and capital-market policies established by CMN.

The CVM is responsible for the supervision and regulation of equity funds. In addition, since November 2004, the CVM has had authority to regulate and supervise fixed-income asset funds. For more information, see "Regulation and Supervision -Asset management regulation."

Banking regulations

Principal limitations and restrictions on activities of financial institutions

Under applicable laws and regulations, a financial institution operating in Brazil:

- may not operate without the prior approval of the Central Bank and in the case of foreign banks, authorization by presidential decree;
- may not invest in the equity of any other company beyond regulatory limits;
- may not lend more than 25.0% of its reference equity to any single person or group;
- may not own real estate, except for its own use; and
- may not lend to or provide guarantees for:

-– any individual that controls the institution or holds, directly or indirectly, more than 10.0% of its share capital;

-– any entity that controls the institution or with which it is under common control, or any officer, director or member of the fiscal council and Audit Committee of such entity, or any immediate family member of such individuals;

-– any entity that, directly or indirectly, holds more than 10.0% of its shares (with certain exceptions);

-– any entity that it controls or of which it directly or indirectly holds more than 10.0% of the share capital;

-– any entity whose management consists of the same or substantially the same members as its own executive committee; or

-– its executive officers and directors (including their immediate families) or any company controlled by its executive officers and directors or their immediate families or in which any of them, directly or indirectly, holds more than 10.0% of share capital.

The restrictions with respect to related party transactions do not apply to transactions entered into by financial institutions in the interbank market.

Capital adequacy and leverage

Brazilian financial institutions are subject to a capital measurement and standards based on a weighted risk-asset ratio. The parameters of this methodology resemble the international framework for minimum capital measurements adopted for the Basel Accord. The Basel Accord requires banks to have a capital to risk-weighted assets ratio of at least 8.0%. At least half of total capital must consist of Tier I capital. Tier I, or core, capital corresponds to equity less certain intangibles. Tier II capital includes asset revaluation reserves, and contingency reserves and subordinated debt, subject to certain restrictions. Tier II capital must not exceed Tier I capital.

CMN requirements differ from the Basel Accord in some respects. Among other differences, the CMN:

- requires minimum capital of 11.0% of risk-weighted assets;

- does not permit contingency reserves to be considered as capital;

- requires fixed assets in excess of limits imposed by the Central Bank to be deducted from capital;

- requires additional capital in relation to off-balance-sheet interest rate and foreign currency swap transactions and for certain loans and advances utilizing third party funds;

- when determining equity, financial institutions may deduct costs, including taxes, incurred in connection with swap transactions used to hedge short positions associated with investments outside Brazil; and

- assigns different risk weightings to certain assets and credit conversion values, including a risk weighting of 300.0% on deferred tax assets for tax loss carryforwards of income and social contribution taxes but not for those arising from other temporary differences which have a weighting of 100.0%.

In October 2009, the Central Bank reduced minimum capital requirements from 11% to 5.5% on loans to micro and small companies that are backed by one of the two guarantee funds created by the government in 2009 with a R$4 billion budget.

For further details see "Item 5.B. Liquidity and Capital Resources-Capital Compliance with capital requirements."

Financial institutions are also required to maintain their reference equity at a certain level. A financial institution's reference equity is the sum of its Tier I and Tier II capital and is used to determine its operational limits. For purposes of CMN adjustments, financial institutions may deduct costs, including taxes, incurred in connection with swap transactions to hedge short positions associated with investments abroad. In July 2008, the Central Bank issued certain rules to include the operational risk of financial institutions amongst the factors to be considered in the calculation of reference equity. In December 2009, the Central Bank established a single indicator for calculating the portion of capital to be maintained by financial institutions to cover, when needed, the operational risk for a non-financial company belonging to the conglomerate. In June 2010, the Central Bank issued rules amending the formula used to calculate required reference equity, which in practice led to higher levels of net equity being required of financial institutions and this will be in force as of 2012. The Central Bank says the purposes of this change include bolstering the robustness of financial institutions in terms of their ability to weather a global crisis. In February 2011, the Central Bank issued guidelines and a timetable for implementing the recommendations of the Basel Committee on Banking Supervision concerning capital structure and liquidity requirements (Basel III), including an initial timetable to implement recommendations regarding liquidity requirements.

Prudential rules in Brazil are generally more conservative than international ones, so adapting to Basel III will be less complicated for Brazilian banks than for institutions in other countries. Under draft rules that the Central Bank submitted to public consultation in February 2012, Brazil will follow the agreed international schedule to gradually adopt capital definitions and requirements over the coming years, starting on January 1, 2013 and concluding on January 1, 2019. Following international recommendations, and in line with current practices, the minimum capital level will be stated as a percentage of risk weighted assets. The draft rule proposes three independent requirements to be met by financial institutions: (i) Principal Capital, consisting mainly of stocks, shares and retained earnings; (ii) Tier I Capital, consisting of principal capital plus other instruments capable of absorbing losses when the institution is a going concern; and (iii) Reference Equity, consisting of Tier I Capital and other instruments to absorb losses in the case of an institution in liquidation.

In addition, the standard being discussed is also likely to include Additional Principal Capital, which will act as the prudential buffer or "cushion" referred to in Basel III. By the end of the transitional period, in 2019, Additional Principal Capital will have to be 2.5 - 5% of risk weighted assets. The amount will be determined by the Central Bank depending on economic conditions. Under normal market conditions, financial institutions are expected to hold surplus capital in relation to minimum requirements in an amount exceeding Additional Principal Capital as defined. Failure to comply with Additional Principal Capital rules will lead to restrictions affecting distribution of bonuses, profit sharing and compensation incentives associated with performance of managers of institutions.

Financial institutions, excepting credit cooperatives, must keep consolidated accounting records (for calculating their capital requirements) of their investments in companies whenever they hold, directly or indirectly, individually or together with partners, a controlling interest in the investee companies. If their interest does not result in control of a company, financial institutions may choose to recognize the interest as equity in the earnings of unconsolidated companies instead of consolidating.

Under certain conditions and within certain limits, financial institutions may include subordinated debt when determining their capital requirements in order to calculate their operational limits, *provided that* this subordinated debt complies fulfills the following requirements:

- it must be previously approved by the Central Bank;
- it must not be secured by any type of guarantee;
- its payment must be subordinated to the payment of other liabilities of the issuer in the event of dissolution;
- it cannot be redeemed by act of the holder;
- it must have a clause allowing postponement of the payment of interest or redemption if this would cause the issuer to fail to comply with minimum levels of reference equity or other operational requirements;

• it must be nominative if issued in Brazil, and if issued abroad may be in any other form permitted by local legislation;

• if issued abroad, it must contain a clause for elected jurisdiction;

• it must have a minimum term of five years before redemption or amortization;

• it must be paid in cash; and

• its payment cannot be secured by any type of insurance any instrument that requires or permits payments between the issuer and the borrowing institution or that affects the subordinated status of the debt.

Brazilian financial institutions may elect to calculate their capital requirements on either a consolidated or an unconsolidated basis.

In June 2011, the CMN determined that financial institutions and other Central Bank authorized institutions required to calculate "reference equity" requirements must implement a capital management structure compatible with the nature of their operations, complexity of products, services offered, and the scale of their risk exposure.

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Additionally, in September 2011, the CMN issued a rule which states that the Central Bank may undertake a discretionary assessment of the circumstances in each case and require a series of preventive prudential measures to be taken if it finds situations that compromise or may compromise the proper functioning of the financial system or its institutions, or other Central Bank authorized institutions.

Risk Weighting

In October 2010, the Central Bank issued instructions consolidating risk factor weightings applied to different exposure levels, for the purposes of calculating reference equity required. Under these rules, the following factors must be applied:

(i) 0% to amounts held in cash or securities issued by Brazil's Treasury or the Central Bank, except for those related to repurchase agreements;

(ii) 20% to demand deposits held in banking institutions, rights related to certain transactions with cooperatives, and repurchase agreements for securities issued by the Treasury or the Central Bank;

(iii) 50% to time deposits in financial institutions not subject to special arrangements, exposures for which underlying assets are securities issued by them, interbank deposits and credit commitments undertaken;

(iv)100% to investments in shares of investment funds, other securities in repurchase agreements, sureties, guarantees, co-obligations and collaterals provided, and transactions for which there is no specific weighting factor; and

(v) 300% to exposures related to tax credits not excluded for purposes of calculating reference equity (except for deferred tax assets arising from temporary differences), for which a 100% weighting factor applies.

In December 2010 and November 2011, the Central Bank issued instructions applying a 150% risk weighting factor to exposures relating to loans and advances and financial leasing agreements for individuals as of December 6, 2010, or renegotiated as of November 11, 2011, with certain exceptions to this rule (including rural credit, payroll-deductible loans, certain financing or leasing agreements for vehicles or homes). A 300% risk weighting was applied as of November 2011 for exposures relating to personal loans for unspecified uses, including payroll-deductible loans, made or renegotiated with individuals as of November 11, 2011, for contractual terms of over sixty months.

Reserve requirements

The Central Bank periodically sets compulsory reserve and related requirements for Brazilian financial institutions. The Central Bank uses reserve requirements as a mechanism to control liquidity in the Brazilian Financial System. Historically, the reserves against demand deposits, savings deposits and time deposits have accounted for almost all amounts required to be deposited with the Central Bank. In December 2010, the Central Bank raised compulsory deposit and reserve requirements, and reduced any deductions applicable. In addition, the Central Bank introduced higher compulsory deposits and reserve requirements for savings, demand, and time deposits. Some of these rules were amended by the Central Bank in March 2011. In July 2011, the CMN consolidated and redefined rules for compulsory deposit requirements against short positions in foreign currency.

In December 2011, the Central Bank approved a circular consolidating and redefining certain rules for compulsory reserve requirements for time deposits. Chief among these alterations was the inclusion of Brazilian Treasuries in the list of assets eligible for deduction from compulsory reserves for time deposits. Some provisions relating to compulsory reserve requirements against time deposits were again altered by the Central Bank in February 2012.

For a summary of current compulsory reserve requirements applicable to demand deposits, savings deposits and time deposits, see "Deposit taking activities."

The total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its reference equity. In addition, if its exposure is greater than 5.0% of its adjusted net worth, the financial institution must hold additional capital at least equivalent to 100.0% of its exposure. Since July 2, 2007, the amount internationally offset in opposite exposures (purchases and sales) in Brazil and abroad by institutions of the same conglomerate is required to be added to the respective conglomerate's net consolidated exposure.

In the past, the Central Bank has imposed restrictions on other types of financial transactions. These compulsory deposit requirements are no longer in effect, but they may be re-imposed in the future, or similar restrictions may be instituted. At the beginning of 2008, the Central Bank determined a new compulsory deposit requirement relating to deposits of leasing companies. Our leasing company invests most of its cash available for immediate investment in interbank deposit accounts with us. For more information on Central Bank restrictions see "Item 3.D. Risk Factors-Risks relating to Bradesco and the Brazilian banking industry."

Asset composition requirements

Brazilian financial institutions may not allocate more than 25.0% of their reference equity to loans and advances (including guarantees) to the same customer (including customer's parent, affiliates and subsidiaries) or in securities of any one issuer, and may not act as underwriter (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their reference equity.

Permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred assets) of Brazilian financial institutions may not exceed 50.0% of their reference equity.

CMN issued rules in October 2008 requiring financial institutions to record: (i) rights on assets used for maintaining the institution's activities, including rights resulting from transactions that have transferred the benefit, risks and control of these assets to the institution, except for those covered by leasing agreements, in fixed assets; and (ii) restructuring expenses that effectively result in an increase in income of more than one fiscal year and do not constitute merely a reduction in costs or greater operational efficiency, in deferred assets. A subsequent rule further defined intangible assets, such as vested rights on non-material assets used for maintaining the institution's activities, including those corresponding to payroll services, income, salary, wages and retirement and pension payments, among others.

As of January 2012, a rule issued by the CMN came into effect in line with IASB, which states different accounting criteria in cases of assignment of receivables or other financial assets depending on whether or not there is retention or transfer of risks and benefits in conjunction with the assigned asset.

In July 2011, the CMN published a rule requiring registration of assigned receivables and financial settlement of assets authorized by the Central Bank.

Repurchase transactions

Repurchase transactions are subject to operational capital limits based on the financial institution's equity, as adjusted in accordance with Central Bank regulations. A financial institution may only hold repurchase transactions in an amount up to 30 times its reference equity. Within that limit, repurchase operations involving private securities may not exceed five times the amount of the financial institution's reference equity. Limits on repurchase operations involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Central Bank.

Onlending of funds borrowed abroad

Financial institutions and leasing companies are permitted to borrow foreign currency-denominated funds in the international markets (through direct loans or the issuance of debt securities) in order to on-lend such funds in Brazil. These onlendings take the form of loans denominated in *reais* but indexed to the U.S. dollar. The terms of the onlending transaction must mirror the terms of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction, the financial institution may charge onlending commission only.

Furthermore, the amount of the loan in foreign currency should be limited to the sum of foreign transactions undertaken by the financial institution to which loan funds are to be directed. Lastly, pursuant to the Central Bank's Circular 3,434/09, the total of loans and advances made against these funds must be delivered to the Central Bank as collateral, as a condition for the release of the amount to the financial institution.

Foreign currency position

Transactions in Brazil involving the sale and purchase of foreign currency may be conducted only by institutions authorized by the Central Bank to operate in the foreign exchange market.

As of March 2005, the previously existing "Commercial" and "Floating" were unified under a single foreign currency exchange regime ("Exchange Market"), in which all foreign exchange currency transactions are concentrated. The unified Exchange Market provides for settlement in foreign currency of any commitments in *reais* contracted between individuals and/or legal entities resident in Brazil and individuals or legal entities resident abroad, by submitting the relevant documentation.

Access to the Exchange Market may be granted by the Central Bank to multiple banks, commercial banks, investment banks, development banks, savings and loans entities, foreign exchange banks, development agencies, financing and investment associations, brokerage firms, securities dealers and currency-broker firms. Some foreign-exchange transactions may also be carried out by travel agencies and tourist hospitality organizations accepting foreign currency. The Central Bank currently does not impose limits on long positions in forex (*i.e.*, in which the aggregate amount of foreign currency purchases exceeds sales) of banks authorized to operate in the Exchange Market. As of December 2005, the Central Bank no longer limited short positions in forex (*i.e.*, in which the aggregate amount of foreign currency purchases is less than sales) for banks authorized to operate in the Exchange Market.

Pursuant to CMN regulations of November 2011, the investment abroad of available funds in foreign currency must be limited to (i) securities issued by the Brazilian government; (ii) sovereign debt issued by foreign governments; (iii) securities issued by financial institutions, or entities under their responsibility; and (iv) time deposits in financial institutions. In February 2011, the Central Bank adopted new rules for investments by Brazilian entities or individuals in non-Brazilian companies. For the purposes of this rule, foreign currency holdings includes: (i) the institution's own foreign currency position; (ii) foreign currency balances in current accounts in Brazil, that have been opened and transacted in accordance with laws and regulations; and (iii) the institution's other foreign currency held in foreign accounts, including funds received to pay for Brazilian exports.

In March 2010, the Central Bank continued with the process of simplifying foreign exchange rules by consolidating existing rules and revoking others. These changes were designed to provide further transparency and standards for cross-border foreign exchange transactions, and may be divided into three main categories:

(i) Consolidation of rules for foreign capital: registration of foreign direct investment, foreign credits, royalties, transfer of technology and leasing. Financial transfers from and to foreign countries will follow the general rules applicable to the Brazilian foreign exchange market, including the principles of legality, economic rationale and supporting documentation. These rules were amended several times in 2011. Additionally, the need for specific authorizations or prior statements from the Central Bank has been eliminated and there is no need to provide information that the Central Bank may obtain elsewhere;

(ii) Rules for sale of depositary receipts abroad: companies that issue depositary receipts have the option of keeping the proceeds abroad. This option, however, does not apply to financial institutions. Therefore, our procedures in this respect remain unchanged; and

(iii) Simplification of foreign exchange rules: several changes have been implemented to boost competition in the international transfer of funds and offer of banking services.

Registration of cross-border derivatives and hedging transactions and information on derivatives

In December 2009, the Central Bank issued specific rules that became effective on February 1, 2010, requiring Brazilian financial institutions to register their cross-border derivative transactions with a clearing house regulated by the Central Bank and by the CVM. Specifically, cross-border derivative transactions must: (i) be registered within 2 business days and (ii) cover details of underlying assets, values, currencies involved, terms, counterparties, means of settlement and parameters used.

In February 2010, registration rules were extended to cover hedging transactions in foreign OTC markets or exchanges.

In November 2010, to facilitate management of derivatives-related risk incurred by financial institutions, the CVM stipulated that market participants should create mechanisms in order to share information on derivatives contracts traded or registered in their systems, subject to banking confidentiality rules.

Treatment of loans and advances

According to the Central Bank, financial institutions are required to classify their loans and advances into nine categories, ranging from AA to H, based on their risk. These credit classifications are determined in accordance with Central Bank criteria relating to:

- the conditions of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- the conditions of the transaction, such as its nature and purpose, the type, the level of liquidity, the sufficiency of the collateral and the total amount of the credit.

- In the case of corporate borrowers, the nine categories that we use are as follows:

Rating	**Our Classification**	**Bradesco Concept**
AA	Excellent	First tier large company or group, with a long track record, market leadership and excellent economic and financial concept and positioning.
A	Very Good	Large company or group with sound economic and financial position that is active in markets with good prospects and/or potential for expansion.
B	Good	Company or group, regardless of size, with good economic and financial positioning.
C	Acceptable	Company or group with a satisfactory economic and financial situation but with performance subject to economic variations.
D	Fair	Company or group with economic and financial positioning in decline or unsatisfactory accounting information, under risk management.

A loan and advance operation may be upgraded if it has credit support or downgraded if in default.

Doubtful loans are classified according to the loss perspective, as shown below:

Rating	**Bradesco Classification**
E	Deficient
F	Bad
G	Critical
H	Uncollectible

In the case of transactions with individuals, we have a similar nine-category ranking system. We grade credit based on data including the individual's income, net worth and credit history, as well as other personal data.

Financial institutions should maintain a credit risk management structure compatible with the nature of their transactions and with the complexity of products and services offered, which should also be proportional to the institution's credit risk exposure.

For regulatory purposes, financial institutions are required to classify the level of risk of their loan operations according to Central Bank criteria, taking into consideration both the borrower and guarantors´ characteristics and the nature and value of the operation, among others, in order to identify potential provision for loan losses.

This risk evaluation must be reviewed at least every six months for loans extended to a single customer or economic group whose aggregate loan amount exceeds 5.0% of the financial institution's reference equity, and once each twelve months for all loan operations, with certain exceptions.

Past due loans must be reviewed monthly. For this type of loan, regulatory provisions set the following maximum risk classifications:

Number of Days Past Due [1]	Maximum Classification
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

[1] These time periods are doubled in the case of loans with maturities in excess of 36 months.

Financial institutions are required to determine, whether any loans must be reclassified as a result of these maximum classifications. If so, they must adjust their regulated accounting provisions accordingly.

The regulations specify a minimum provision for each category of loan, which is measured as a percentage of the total amount of the loan and advance operation, as follows:

Classification of Loan	Minimum Provision %
AA	-
A	0.5
B	1.0
C	3.0
D	10.0
E	30.0
F	50.0
G	70.0
H [1]	100.0

[1] Banks must write off any loan six months after its initial classification as an H loan.

Loans and advances of up to R$50,000 may be classified by the method used by the financial institution itself or the arrears criteria described above.

Financial institutions must make their lending and loan classification policies available to the Central Bank and to their independent accountants. They are also required to submit information relating to their loan portfolio to the Central Bank, together with their financial statements. This information must include:

- a breakdown of the business activities and nature of borrowers;
- maturities of their loans;
- amounts of rescheduled, written-off and recovered loans;
- loan portfolio diversification by the loan classification; and
- non-performing loans.

The Central Bank requires authorized financial institutions to compile and submit their loans and advances portfolio data in accordance with several requirements. The Central Bank may admit discrepancies in these statements of up to 5.0% per risk level and 2.5% in the reconciled total.

Exclusivity in loans and advances to customers

In January 2011, Central Bank Circular No. 3,522/11 prohibited financial institutions that provide services and loan transactions from entering into agreements, contracts or other arrangements that prevent or restrict the ability of their customers to access loans and advances offered by other institutions, including payroll-deductible loans. The purpose of this rule is to increase competition among credit providers and prevent exclusivity agreements between state-owned banks and government bodies with respect to payroll-deductible loans. While there is some uncertainty as to whether the new rules affect existing contracts, all new contracts are covered under the new regulations, allowing market competition and enabling employees in the public and private sectors to obtain payroll-deductible loans from any authorized financial institution.

Brazilian clearing system

The Brazilian clearing system was regulated and restructured under legislation enacted in 2001. These regulations are intended to streamline the system by adopting multilateral clearing and boost security and solidity by reducing systemic default risk and financial institutions' credit and liquidity risks.

The subsystems in the Brazilian clearing system are responsible for maintaining security mechanisms and rules for controlling risks and contingencies, loss sharing among market participants and direct execution of custody positions of contracts and collateral by participants. In addition, clearing houses and settlement service providers, as important components to the system, set aside a portion of their assets as an additional guarantee for settlement of transactions.

Currently, responsibility for settlement of a transaction has been assigned to the clearinghouses or service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes obligation of the relevant clearinghouse and/or settlement service provider to clear and settle, and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions authorized by the Central Bank are also required under the new rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Under these procedures, institutions are required to:

- maintain and document criteria for measuring liquidity risks and risk management procedures;

- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;
- adopt system controls and test them periodically;
- promptly provide the institution's management information and analysis for any liquidity risk identified, including any conclusions or measures taken; and
- develop contingency plans for handling liquidity crisis situations.

Financial institutions were positively affected by the restructuring of the Brazilian clearing system. Under the old system, in which transactions were processed at the end of the day, an institution could carry a balance, positive or negative, a situation which is no longer allowed. Payments must now be processed in real time, and amounts over R$5,000 may be covered by electronic transfers between institutions with funds available immediately. If a transaction is made using checks, an additional bank fee will be charged.

After a period of tests and gradual implementation, the new Brazilian clearing system started operating in April 2002. The Central Bank and CVM have the power to regulate and supervise the Brazilian payments and clearing system.

Liquidation of financial institutions

In February 2005, the "New Bankruptcy Law" was approved, replacing the previous legislation that had been in effect since 1945. The main goal of the “New Bankruptcy Law” is to avoid viable companies being unable to honor their debt obligations. The New Bankruptcy Law seeks to do this by providing greater flexibility in plan reorganization strategies while giving creditors more guarantees. It also seeks to improve creditors' ability to recover through the judiciary system by promoting an agreement between the company and a commission comprised of creditors. The New Bankruptcy Law is not currently applicable to financial institutions, and, accordingly, Law No. 6,024/74 governing intervention in and administrative liquidation of financial institutions is still applicable to us.

Intervention

The Central Bank will intervene in the operations and management of any financial institution not controlled by the federal government if the institution:

- suffers losses due to mismanagement, putting creditors at risk;
- repeatedly violates banking regulations; or
- is insolvent.

Intervention may also be ordered upon the request of a financial institution's management.

Intervention may not exceed twelve months. During the intervention period, the institution's liabilities are suspended in relation to overdue obligations, maturity dates for pending obligations contracted prior to intervention, and liabilities for deposits in the institution existing on the date intervention was ordered.

Administrative liquidation

The Central Bank will liquidate a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they fall due, or upon the occurrence of an event that could indicate a state of bankruptcy;
- management commits a material violation of banking laws, regulations or rulings;
- the institution suffers a loss which subjects its unsecured creditors to severe risk; or
- if, upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days, or, if initiated, the Central Bank determines that the pace of the liquidation may impair the institution's creditors.
- As a consequence of administrative liquidation:
- lawsuits pleading claims on the assets of the institution are suspended;
- the institution's obligations are accelerated;
- the institution may not comply with any liquidated damage clause contained in unilateral contracts;
- interest does not accrue against the institution until its liabilities are paid in full; and
- the statute of limitations with respect to the institution's obligations is tolled.

Temporary special administration regime

The temporary special administration regime, known as "RAET," is a less severe form of Central Bank intervention in financial institutions, which allows institutions to continue to operate normally. RAET may be ordered in the case of an institution that:

- repeatedly makes transactions contravening economic or financial policies under federal law;
- faces a shortage of assets;
- fails to comply with compulsory reserves rules;
- has reckless or fraudulent management; or
- has operations or circumstances requiring an intervention.

Repayment of creditors in liquidation

In the case of liquidation of a financial institution, employees' wages, indemnities and tax claims have the highest priority among claims against the bankrupt institution. In November 1995, the Central Bank created the FGC (Deposit Guarantee Fund) to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy, or other state of insolvency. Members of the FGC are financial institutions that accept demand, time and savings deposits as well as savings and loans associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions accepting deposits from customers.

The FGC is a deposit insurance system that guarantees a certain maximum amount of deposits and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances, if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In December 2010, the CMN increased the maximum amount of the guarantee provided by the FGC from R$60,000 to R$70,000. Since 2006, it reduced the ordinary monthly FGC contribution from 0.025% to 0.0125% of the balance held in bank accounts covered by FGC insurance.

In December 2010, the Central Bank issued Resolution No. 3,931/10 with new rules for taking time deposits with a special guarantee from the FGC. Under these rules, the maximum value of the balance of such deposits is limited to the greater of the following (with a maximum of R$5 billion): (i) the equivalent of twice the reference equity, calculated on the base date June 30 earning interest monthly at the SELIC rate;

(ii) the equivalent of twice the reference equity, calculated on December 31, 2008, earning interest monthly at the SELIC rate as of May 1, 2009; and (iii) the equivalent of the sum of balances in time deposits plus balances of bills of exchange held in the bank on June 30, 2008, earning interest monthly at the SELIC rate as of May 1, 2009.

The same rule reduced the limit on taking time deposits with special FGC guarantees on the following schedule: (i) twenty percent (20%) from January 1, 2012; (ii) forty percent (40%) from January 1, 2013; (iii) sixty percent (60%) from January 1, 2014; (iv) eighty percent (80%) from January 1, 2015; and (v) one hundred percent (100%) from January 1, 2016.

Internal compliance procedures

All financial institutions must have in place internal policies and procedures to control:

- their activities;
- their financial, operational and management information systems; and
- their compliance with all applicable regulations.

The board of executive officers of a financial institution is responsible for implementing an effective structure for internal controls by defining responsibilities and control procedures and establishing corresponding goals and procedures at all levels of the institution. Management is also responsible for verifying compliance with all internal procedures.

Our bylaws include a provision for an internal controls and compliance committee composed of up to 12 members appointed by our Board of Directors.

Restrictions on foreign banks and foreign investment

The Brazilian Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by the Brazilian government. A foreign bank duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any other Brazilian financial institution.

The Brazilian Constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Brazilian government. However, foreign investors without specific authorization may acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts representing non-voting shares offered abroad. Any investment on common shares would depend on government authorization. In January 2012, the Central Bank authorized Bradesco to create an ADR program for its common shares in the U.S. market. As part of this authorization, the Central Bank increased the limit of foreign interest in Bradesco's capital stock from 14% to 30%.

Anti-money laundering regulations, banking secrecy and financial transactions linked to terrorism

Under Brazilian anti-money laundering rules, which the Central Bank consolidated in July 2009 through Circular No. 3,461/09, and subsequently in December 2010, through Circular No. 3,517/10, as amended by Circular No. 3,583/12, financial institutions must:

- keep up-to-date records regarding their customers;
- maintain internal controls and records;
- record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money;
- keep records of transactions that exceed R$10,000 in a calendar month or reveal a pattern of activity that suggests a scheme to avoid identification;

- keep records of all check transactions; and

- keep records and inform the Central Bank of any cash deposits or cash withdrawals in amounts above R$100,000.

The financial institution must review transactions or proposals whose characteristics may indicate the existence of a crime and inform the Central Bank of the proposed or executed transaction. Records of transactions involving currency or any asset convertible to money, records of transactions that exceed R$10,000 in a calendar month, and records of check transactions must be kept for at least five years, unless the bank is notified that a CVM investigation is underway, in which case the five-year obligation may be extended. Pursuant to Circular No. 3,641/08, financial institutions must implement control policies and internal procedures. The policies must: (i) specify in an internal document the responsibilities of each of the organization's hierarchical levels; (ii) include the collection and registration of timely information about customers that makes it possible to identify the risks of occurrence of these crimes; (iii) define the criteria and procedures for selecting, training and monitoring the economic-financial status of the institution's employees; (iv) include a prior analysis of new products and services from the perspective of preventing these crimes; (v) be approved by the Board of Directors; and (vi) be broadly circulated internally. Current legislation allows us to develop internal procedures designed to identify any financial transactions or services that present a low level of risk of being used for money laundering or terrorist financing, which are exempted from the requirement to obtain customers' registration details. The procedures described herein shall be observed by our branches and subsidiaries in Brazil and abroad.

Along with these policies, Circular No. 3,641/08 also establishes additional norms related to keeping registration information up-to-date, keeping records of politically exposed individuals, records of the beginning or continuation of business relations, records of financial services and transactions, records of deposits and clearance of checks deposited in other financial institutions, the use of fund transfer instruments, pre-paid card registrations, transfers of over R$100,000 in cash, and other transactions that require special attention.

Likewise, Circular No. 3,642/08 set forth rules to combat money laundering in international transfers, including more detailed operational information requirements for payment orders, such as the name and identification document of the parties involved, address and bank account when applicable. Financial institutions shall also adopt measures to learn about methods and practices used by their correspondents abroad so as to inhibit money laundering and terrorist financing practices, and report to government authorities whenever transactions with these characteristics are detected.

Brazilian regulations list a number of potential money-laundering transaction characteristics, such as: transactions involving amounts that are incompatible with the professional, equity and/or earnings condition of the involved parties; operations evidencing default on behalf of third parties; transactions intended to create loss or gain with no economic grounds; transactions from or to countries or territories that do not apply the recommendations sufficiently or do not cooperate with the Brazilian financial activity control agencies; transactions paid in cash; transactions the complexity and risk level of which are inconsistent with the customer's technical qualification; transactions involving non-resident parties, trustees and companies, private banking customers and politically exposed individuals.

The CVM directed special attention to politically exposed individuals through Instruction No. 463/08 and consolidated in Circular No. 3,641/08, which refer to individuals politically exposed who hold or held prominent public positions in Brazil or abroad during the past five years and their relatives and representatives. Such individuals include heads of state and government, senior politicians and civil servants, judges or high-ranking military officers, and leaders of state controlled enterprises companies or political parties, among others. Financial institutions are required to adopt certain mechanisms in order to: (i) identify the final beneficiaries of each transaction; (ii) identify whether these politically exposed individuals are involved; (iii) monitor financial transactions involving politically exposed individuals; and (iv) pay special attention to people from countries with which Brazil maintains a high number of business and financial transactions, shared borders or ethnic, linguistic or political relations.

In addition, this CVM regulation contains special provisions to control and prevent the flow of funds derived from, or for financing, terrorist activities.

Also regarding the control of politically exposed individuals' activities and in light of the 2010 Brazilian elections for President, Governors, Senators, Federal and State Representatives, in March 2010, the Central Bank enacted rules that specifically address the opening, transacting with and closing of demand accounts for funds related to financing the 2010 election campaign. Those rules seek to avoid irregular use of said funds and illegal donations.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as: the sharing of information on credit history, criminal activity and violation of bank regulations, or disclosure of information authorized by interested parties. Banking secrecy may also be breached by court order when necessary for the investigation of any illegal act.

Government officials and auditors from the Brazilian Federal Revenue Service may also inspect an institution's documents, books and financial records in certain circumstances.

In October 2008, the Central Bank broadened the reach of its rules for controlling financial transactions related to terrorism, so that operations carried out on behalf of, services provided to, or access to funds, other financial assets or economic resources belonging to or directly or indirectly controlled by, the following individuals or entities were required to be immediately reported to the Central Bank: (i) members of the Al-Qaeda organization, members of the Taliban and other individuals, groups, companies or entities connected with them; (ii) the former government of Iraq or its agencies or companies located outside of Iraq, as well as funds or other financial assets that might have been withdrawn from Iraq or acquired by Saddam Hussein or by other former Iraqi government senior officials or by the closest members of their families, including companies owned by, or directly or indirectly controlled by them or by individuals under their management; and (iii) individuals perpetrating or attempting to perpetrate terrorist actions or who take part in or facilitate such acts, entities owned or directly or indirectly controlled by such individuals, as well as by individuals and entities acting on their behalf or under their command.

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Change of independent accounting firm

Under Brazilian regulations, all financial institutions must:

- be audited by an independent accounting firm; and
- the specialist in charge, officer, manager or audit team supervisor must be periodically replaced without the need to change the independent auditor firm itself. Rotation must take place after five fiscal years at most and replaced professionals may be reintegrated three years later. Terms of responsible specialists, officers, managers or audit team supervisors begin on the day the team begins work on the audit.

Each independent accounting firm must immediately inform the Central Bank any event that may materially adversely affect the relevant financial institution's status.

In March 2002, an amendment to the Brazilian Corporate Law gave the members of our Board of Directors veto rights over the appointment or removal of our independent accounting firm. For more details on appointment of directors see "Item 10.B. Memorandum and Articles of Incorporation-Organization-Voting Rights."

For additional information on the auditors of the consolidated financial statements included in this annual report see Item 16.C "Principal Accountant Fees and Services" and Item 16.F "Change in Registrant´s Certifying Accountant".

Auditing requirements

Because we are a financial institution registered with the local stock exchange, we are obliged to have our financial statements audited every six months in accordance with generally accepted accounting principles adopted in Brazil. Quarterly financial information filed with the CVM is subject to review by our independent accountants.

In January 2003, the CVM enacted regulations requiring audited entities to disclose information relating to their independent accounting firm's non-auditing services provided to the entity whenever such services accounted for more than 5.0% of the amount paid to the external auditors.

The independent auditors must also declare to the audited company's management that their providing these services does not affect the independence and objectivity required for external auditing services.

In May 2003, the CMN enacted new auditing regulations matters applicable to all Brazilian financial institutions; and they were revised in November 2003, January and May 2004 and December 2005. Under these regulations, we are required to appoint a member of our management to be responsible for monitoring and supervising compliance with the accounting and auditing requirements set forth in the legislation.

Pursuant to this regulation, financial institutions having reference equity of more than R$1.0 billion, managing third party assets of at least R$1.0 billion or having an aggregate amount of third party deposits of over R$5.0 billion are also required to create an audit committee consisting of independent members. The number of members, their appointment and removal criteria, their term of office and their responsibilities must be specified in the institutions' bylaws. Our Audit Committee has been fully operational since July 1, 2004. The Audit Committee is responsible for recommending to management which independent accounting firm to engage, reviewing the company's financial statements, including the notes thereto, and the auditors' opinion prior to public release, evaluating the effectiveness of the auditing services provided and internal compliance procedures, assessing management's compliance with the recommendations made by the independent accounting firm, among other matters. Our bylaws were revised in December 2003 to stipulate the existence of an audit committee. In May 2004, our Board of Directors approved the internal regulations for the Audit Committee and appointed its first members. In October 2006, the CMN enacted stricter requirements to be followed by the members of the Board of Directors. See "Item 16.D. Exemptions from filing requirements for Audit Committees."

As of July 1, 2004, we are required to publish a semi-annual audit committee report together with our financial statements. Our Audit Committee's first report was issued together with our financial statements for the second half of 2004.

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In July 2007, the CVM enacted a rule requiring publicly held companies to adopt as of the fiscal year ended in 2010 international accounting standards, pursuant to rules issued by the IASB. Due to this rule, our financial statements are prepared and disclosed in accordance with IFRS. A similar rule was issued by the CMN in September 2009 specifically for financial institutions, according to which consolidated financial statements must include the opinion of an independent auditing firm on the compliance of such statements with the pronouncements issued by the IASB. Pursuant to Circular No. 3,472/09, financial statements must be published within ninety days of December 31 of the corresponding fiscal year and be prepared by the parent company of the group of consolidated entities.

With regard to interim consolidated financial statements, the Central Bank issued, in May 2010, a resolution determining that financial institutions organized as corporations (*sociedades anônimas*), or required to set up auditing committees and publish their consolidated interim financial statements, must follow rules (pronouncements) issued by the IASB, and must be translated into Portuguese by a Brazilian entity certified by the International Accounting Standards Committee Foundation (IASC Foundation).

In September 2009, the Central Bank issued rules setting criteria for auditors on the latter's preparation of reports on the quality and compliance of the internal controls systems, and on non-compliance with legal and regulatory provisions. These norms, amended in January 2010, state that in addition to their regular auditing functions, auditors must assess the following items: (i) control environment; (ii) risk identification and assessment; (iii) controls adopted; (iv) information and communication policies; (v) forms of monitoring and improvement and (vi) deficiencies identified.

Regulation of operations in other jurisdictions

We have branches and subsidiaries in several other jurisdictions, such as New York, London, Buenos Aires, Tokyo, the Cayman Islands, Hong Kong, Mexico and Luxembourg. The Central Bank supervises Brazilian financial institutions' foreign branches, subsidiaries and corporate properties, and prior approval from the Central Bank is necessary to establish any new branch, subsidiary or representative office or to acquire or increase any interest in any company abroad. In any case, the subsidiaries activities’ should be complementary or related to our own principal activities. In most cases, we have had to obtain governmental approvals from local central banks and monetary authorities in foreign jurisdictions before commencing business. In all cases, we are subject to supervision by local authorities.

Asset management regulation

Asset management is regulated by the CMN and the CVM.

In August 2004, the CVM issued Rule No. 409/04 consolidating all previous regulations applicable to fixed-income asset funds and equity mutual funds. Prior to this ruling, fixed-income asset funds were regulated by the Central Bank, and equity mutual funds were regulated by the CVM.

CVM Rule No. 409/04 became effective on November 22, 2004. Since then, all new funds created are subject to its rules, while previously existing funds had until January 31, 2005 to adapt to the new regulations.

Pursuant to CVM limits and our bylaws, our investment funds must keep their assets invested in securities and types of trades available in the financial and capital markets.

Securities and all other financial assets in the investment fund's portfolio, except for holdings in investment funds or in Mercosur, must be registered directly with specific custody deposit accounts opened in the name of the fund. Such accounts must be held in registration and clearance systems authorized by the Central Bank, or certain custody institutions authorized by the CVM.

In addition to the limitations specified in each financial investment fund's bylaws, they may not:

- invest more than ten per cent (10.0%) of their net assets in securities of a single issuer, if that issuer is (i) a publicly-held non-financial institution, or (ii) a federal, state, or municipal entity or (iii) another investment fund, except for equity funds;

- more than twenty percent (20.0%) of their net assets in securities issued by the same financial institution (including the fund administrator);

- invest more than five percent (5.0%) of their net assets if the issuer is an individual or corporate entity that is not a publicly-held company or financial institution authorized to operate by the Central Bank; and

- in the case of investment funds or fixed-income and multimarket participation funds, more than ten percent (10.0%) of their net assets in real estate investment funds, receivables investment funds or credit rights participation funds.

There are no limits when the issuer is the federal government. For the purposes of these limits, the same issuer means the parent company, companies directly or indirectly controlled by the parent and its affiliates, or companies under common control with the issuer.

Depending on the composition of their assets, investment funds and funds of funds are classified as follows:

- Short-term funds – These funds invest exclusively in public, federal or private bonds pegged to the SELIC rate or another interest rate, or to price indices, and have a maximum maturity of 375 days and an average portfolio period of less than 60 days. Short-term funds may use derivatives only to hedge their portfolios and may enter into repo agreements backed by federal government bonds;

- Referenced funds – their name must state their benchmark indicator on which the financial asset structure of their portfolio is based (1) at least 80.0% of their net assets, separately or together, must be invested in (a) bonds issued by the Brazilian National Treasury and/or the Central Bank or (b) fixed-income securities from low credit-risk issuers; (2) they stipulate that at least 95.0% of their portfolio must be composed of financial assets that directly or indirectly track the variation of a specified performance indicator (benchmark); and (3) they may use derivatives only for hedging cash positions, limited to the amount of the latter;

- Fixed-income funds – These funds have at least 80.0% of their asset portfolios directly related to fixed-income assets or synthesized through derivatives;

- Equity funds – These funds have at least 67.0% of their portfolio invested in shares listed and traded on exchange or in organized over the counter markets;

- Forex funds – These funds have at least 80.0% of their portfolio invested in derivatives or other funds comprised of derivatives which hedge foreign currency prices;

- Foreign-debt funds – These funds have at least 80.0% of their net assets invested in Brazilian foreign-debt bonds issued by the federal government, and the remaining 20.0% in other debt securities transacted in the international market; and

- Money market funds – These funds must have an investment policy that involves several risk factors, without a commitment to concentration in any particular factor or in factors differing from the other classes stipulated in the classifications of the funds listed above.

Qualified investor funds require a minimum investment of R$1 million per investor and are subject to concentration limitations per issuer or per type of asset (while obeying the investment parameters for type of fund as described above), as long as this is stated in their bylaws.

In addition, CVM Instruction No. 409/04 states that funds may hold financial assets traded abroad in their portfolios as follows: (i) for foreign-debt funds and qualified investor funds that stipulate this possibility, there is no limit; (ii) for multimarket funds, up to 20% of net assets; and (iii) for other funds, up to 10% of net assets.

Regulation of brokers and dealers

Broker and dealer firms are part of the national financial system and are subject to CMN, Central Bank and CVM regulation and supervision. Brokerage and distribution firms must be authorized by the Central Bank and are the only institutions in Brazil authorized to trade on Brazil's stock exchanges and commodities and futures exchanges. Both brokers and dealers may act as underwriters for public placement of securities and engage in the brokerage of foreign currency in any exchange market.

Brokers must observe BM&FBovespa rules of conduct previously approved by the CVM, and must designate an executive officer responsible for observance of these rules.

Broker and dealer firms may not:

- with few exceptions, execute transactions that may be characterized as the granting loans to their customers, including the assignment of rights;

- collect commissions from their customers related to transactions of securities during the primary distribution;

- acquire assets, including real estate properties, which are not for their own utilization; or

- obtain loans from financial institutions, except for: (i) loans for the acquisition of goods for use in connection with the firm's corporate purpose; or (ii) loans for amounts not more than twice the firm's net assets.

Broker and dealer firms' employees, managers, partners, controlling and controlled entities may trade securities on their own account only through the broker they are related to.

Leasing regulation

The basic legal framework governing leasing transactions is established by Law No. 6,099/74, as amended (the "Leasing Law") and related regulations issued periodically by the CMN. The Leasing Law states general guidelines for the incorporation of leasing companies and the business activities they may undertake. The CMN, as regulator of the financial system, is responsible for issuing Leasing Law related regulations and overseeing transactions made by leasing companies. Laws and regulations issued by the Central Bank for financial institutions in general, such as reporting requirements, capital adequacy and leverage regulations asset composition limits and treatment of doubtful loans, are also applicable to leasing companies.

Insurance regulation

Brazilian insurance business is regulated by Decree Law No. 73/66, as amended, which created two regulatory agencies, the National Private Insurance Council, or "CNSP," and SUSEP. SUSEP is responsible for implementing and overseeing CNSP's policies and ensuring compliance with such policies by insurance companies, insurance brokers and insured individuals. Insurance companies require government approval to operate, as well as specific approval from SUSEP to offer each of their products. Insurance companies may subscribe policies only through qualified brokers.

Insurance companies must set aside reserves in accordance with CNSP criteria. Investments covering these reserves must be diversified and meet certain liquidity, rules for which were consolidated by SUSEP

Resolution No. 226/10 solvency and security criteria. Insurance companies may invest a substantial portion of their assets in securities. As a result, insurance companies are major investors in the Brazilian financial markets and are subject to CMN rules and conditions for their investments and coverage of technical reserves.

Insurance companies may not, among other activities:

- act as financial institutions by lending or providing guarantees;
- trade in securities (subject to exceptions); or
- invest outside of Brazil without specific permission from the authorities.

Insurance companies must operate within certain retention limits approved by SUSEP pursuant to CNSP rules. These rules reflect the economic and financial situation of insurance companies and the conditions of their portfolios. Insurers must also meet certain capital requirements consolidated by SUSEP Resolution No. 227/10.

In January, 2007, Complementary Law No. 126/07 created a new policy for reinsurance (whereby underwriters obtain secondary insurance for the risks that they are insuring), retrocession and intermediation in Brazil. In practical terms, this law ended IRB's monopoly in reinsurance and retrocession with regulatory duties and activities originally attributed to IRB transferred to CNSP and SUSEP.

Under Complementary Law No. 126/07, the ceding party, (local insurer or reinsurer) must offer local reinsurers preference when contracting reinsurance or retrocession to the extent of the following percentages of risks ceded: (i) 60% in the first three years as of January 16, 2007 and (ii) 40% in subsequent years. Under SUSEP Resolution No. 225/10, insurance companies must have contracts with local reinsurers for at least 40% of ceded reinsurance in facultative or automatic contracts. The new rule will apply to existing automatic contracts upon renewal or as of March 31, 2012, whichever is earlier.

The new law also places more severe restrictions on ceding risk to foreign reinsurance companies and contracting of insurance abroad. Insurance companies must reinsure amounts exceeding their retention limits. Insurance companies must also file unaudited monthly and audited quarterly, semiannual and annual reports with SUSEP.

CNSP Resolution No. 232/11 prohibited a local insurance or reinsurance company from transferring more than 20% of each policy premium to their foreign affiliates. This restriction does not apply to the guarantee business, nuclear risks and risks related to export credit, rural credit and domestic credit, which are subject to different legal requirements and regulations.

Insurance companies are exempt from ordinary financial liquidation procedures in case of bankruptcy, and instead follow a special procedure administered by SUSEP, under CNSP Resolution No. 227/10. Financial liquidation may be either voluntary or compulsory. The Minister of Finance undertakes compulsory dissolutions of insurance companies.

As was already the case in the ambit of entities subject to CMN, SUSEP promulgated rules in December 2008 with specific internal controls for preventing and fighting money laundering crimes. These rules include a series of provisions on notifying proposed transactions with politically exposed individuals and suppression of terrorist financing activities.

There is currently no restriction on foreign investment in insurance companies.

Health insurance

Private health insurance and health plans are currently regulated by Law No. 9,656/98, as amended, which we refer to as the "Health Insurance Law," containing general provisions applicable to health insurance companies and the general terms and conditions of agreements entered into between health insurance companies and their customers. The Health Insurance Law establishes, among other things:

- mandatory coverage of certain expenses, such as those arising from preexisting conditions;
- prior conditions for admission to a plan;
- the geographical area covered by each insurance policy; and

- the pricing criteria plans may use.

The ANS is responsible for regulating and supervising supplemental health services provided by health insurance companies pursuant to directives set forth by the Supplemental Health Council (Conselho de Saúde Suplementar).

Until 2002, SUSEP had authority over insurance companies, which were authorized to offer private health plans. Since 2002, pursuant to ANS regulations and supervision, only operators of private health plans may offer such plans. We created Bradesco Saúde in 1999 to fulfill this requirement.

Private pension plans

Open pension plans are subject, for purposes of inspection and control, to the authority of the CNSP and the SUSEP, which are under the regulatory authority of the Ministry of Finance. The CMN, CVM and Central Bank may also issue regulations pertaining to private pension plans, particularly related to assets guaranteeing technical reserves.

Private pension entities must set aside reserves and technical provisions as collateral for their liabilities.

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Open pension plans and insurance companies have been allowed to create, trade and operate investment funds with segregated assets since January 1, 2006. Notwithstanding the above, certain provisions of Law No. 11,196/05 will only become effective when SUSEP and CVM issue regulatory texts. For more information, see "Regulation and Supervision-Asset Management Regulation."

Regulation of Internet and electronic commerce

The Brazilian congress has not enacted any specific legislation regulating electronic commerce. Accordingly, electronic commerce remains subject to existing laws and regulation on ordinary commerce and business transactions.

There are currently several bills dealing with Internet and electronic commerce regulation in the Brazilian congress. The proposed legislation, if enacted, would recognize the legal effect, validity and enforceability of information in the form of electronic messages, allowing parties to enter into an agreement and make or accept an offer through electronic messages.

The CVM approved new regulations on Internet brokerage activities, which may be carried out only by registered companies. Brokers' web pages must contain details of their systems, fees, security and procedures for executing orders. They must also contain information about how the market functions generally and the risks involved with each type of investment offered.

Brokers that carry out transactions over the Internet must guarantee the security and operability of their systems, which must be audited at least twice a year.

Taxation

IOF (Tax on Financial Transactions)

Tax on Financial Transactions (*Imposto Sobre Operações Financeiras*, or IOF) is a tax on loans and advances, foreign exchange transactions, insurance and trading in securities. The Minister of Finance sets the rate of the IOF subject to a 25.0% ceiling. Although the taxpayer is the one conducting the financial transaction subject to taxation, the tax is collected by the financial institution involved.

The IOF is levied on the following main types of transactions: (i) foreign exchange transactions; (ii) bonds and securities transactions; (iii) loan transactions; and (iv) insurance transactions.

IOF on foreign exchange transactions

IOF may be levied on a variety of forex transactions, including the conversion of Brazilian currency into any foreign currency for the payment of dividends and repatriation of capital invested in our ADSs and common shares ADSs. The general IOF rate on forex transactions is 0.38%, but 0% on forex transactions of an interbank nature or for the payment of dividends and interest on equity to foreign investors. The IOF is also 0% for converting incoming funds or funds leaving the country since October 2008 in the form of foreign borrowing or financing.

Since March 12, 2012, the tax rate on forex transactions settled by foreign investors' funds entering Brazil, including those doing so through simultaneous transactions related to foreign loans subject to registration with the Central Bank, is 6% for currency loans for repayment within an average of 1800 days, including both direct loans and those related to the issue of bonds in the international markets. If the repayment term of the loan is higher than 1800 days the IOF rate is reduced to 0%.

As of October 19, 2010, the IOF rate on forex transactions for foreign investors in the Brazilian financial and capital markets was raised from 2% to 6%.. The return to abroad of the investment is also subject to 0% of IOF. There are several exceptions of the general rate of 6% above-mentioned, in which the IOF rate is 0%:

(i) transfer of external resources for application in Brazil in equities on the stock exchange or futures and commodities exchange, except for derivative transactions that result in predetermined returns;
(ii) entry of funds in Brazil for acquisition of shares in public offerings registered or exempt from registration by CVM or for subscription of shares, provided that, in both cases, the issuing companies must be registered for trading of shares on stock exchanges;

(iii) entry of funds in Brazil for acquisition of shares in equity funds, venture capital funds and investment funds in shares of these funds, established as authorized by CVM;

(iv) settlement of simultaneous foreign exchange transactions, contracted as of January 1, 2011, for the purpose of funds entering due to cancellation of depositary receipts, for investment in shares traded on exchange;

(v) settlement of simultaneous foreign exchange transactions, contracted as of January 1, 2011, for funds entering Brazil arising from altered arrangements for foreign investors, direct investment, investment in shares traded on exchanges;

(vi) settlement of foreign exchange transactions contracted by foreign investors for the acquisition of bond or securities issued in accordance with Articles 1 and 3 of Law No. 12,431 of June 24, 2011;

(vii) settlement of exchange transactions contracted by foreign investors, including through simultaneous transactions, related to foreign transfers of funds for application in Brazil in certificate deposit of securities, named Brazilian Depositary Receipts - BDR, as regulated by CVM.

In March 2011, Decree No. 7,454/11 increased the tax rate on currency exchange transactions from2.38% to 6.38% for payments made by credit card administrators or commercial or multiple banks acting as card issuers, when such amounts arise from purchase of goods and services from abroad made by their cardholders.

The IOF tax rate is 0% for foreign exchange rate transactions related to revenues entering Brazil from exports of goods and services.

IOF on bonds or securities transactions

IOF tax may also be charged on issues of securities, including transactions on Brazilian stock, futures or commodities exchanges. The IOF rate levied on common or preferred share transactions in general is currently 0%. The Minister of Finance, however, has the legal authority to raise the rate to a maximum of 1.5% per day of the amount of taxable transactions during the period in which the investor holds securities, but only to the extent of gains made on the transaction, and not retrospectively.

In November 2009, the Brazilian government made use of this prerogative to raise the IOF rate from 0% to 1.5% on transactions assigning shares of any type (including preferred shares) traded on a stock exchange in Brazil, with the specific purpose of backing an ADS issue.

On September 16, 2011, IOF started to levy on transactions involving derivative contracts. The tax rate is 1% on the notional amount, adjusted in the acquisition, sale or maturity of financial derivative contract entered in Brazil that, individually, results in increase of the sold foreign exchange exposure or reduction of the purchased foreign exchange exposure.

The legislation allows some deductions from the calculation basis, such as: (i) the sum of the notional value adjusted in the acquisition, sale or maturity of financial derivative contracts entered in Brazil, on the day, and that, individually, results in increase of the purchased foreign exchange exposure or reduction of the sold foreign exchange exposure, (ii) the adjusted net foreign exchange exposure purchased, obtained on the previous business day, and (iii) the reduction of the net foreign exchange exposure sold and the increase of the net foreign exchange exposure purchased compared to the previous business day, not resulting from acquisitions, sales or maturities of financial derivatives contracts.

The new legislation also establishes several specific concepts related to the levy of IOF on derivative contracts. One is the concept of "notional value set", which corresponds to the reference value of the contract - notional value - multiplied by the price change of the derivative compared to the price change of foreign currency, noting that in the case of acquisition, sale or partially maturity, the adjusted notional amount will be calculated proportionately.

IOF is also charged on gains from transactions with terms of up to 30 days for sale, assignment, repurchase or renewal of fixed-income securities such as redemption of shares in financial investment funds, equity funds or investment clubs. For more information on financial investment funds and equity funds, see "Regulation and Supervision - Asset management regulation." The maximum rate of IOF payable in such cases is 1.0% per day and decreases with the duration of the transactions, reaching zero for transactions with maturities of at least 30 days, except that the rate is currently 0% for the following types of transactions:

• transactions carried out by financial institutions and other institutions authorized by the Central Bank as principals;

• portfolio transactions carried out by mutual funds or investment clubs;

• transactions in equity markets, including stock, futures and commodities exchanges and similar entities;

• redemptions of shares in equity funds, noting that in case the investor redeems the shares before completing the grace period for credit income, the rate is 0.5% per day over the surrender value of shares in equity funds;

• with Certificate of Agribusiness Credit Rights - CDCA, with Letter of Agribusiness Credit - LCA, and with Certificate of Agribusiness Receivables - CRA, established by article 23 of Law 11,076 from December 30, 2004; and

• with debentures pursuant to article 52 of Law No. 6404 from December 15, 1976, with Real Estate Receivables Certificates mentioned in article 6 of Law No. 9,514 from November 20, 1997, and with Financial Letters mentioned in article 37 of Law No. 12,249 from June 11, 2010.

IOF on loans transactions

IOF is levied on all types of domestic loans, including overdrafts, at a daily rate of 0.0041% applicable to legal entities. For individual taxpayers, the daily rate is 0.0068% since December 2011. This IOF rate will be charged on principal available to borrowers, but for cases in which the amount of principal is not predetermined, in addition to the IOF levied on principal, there will be additional IOF at the same rate levied on interest and other charges, so that the calculation base will comprise the sum of daily outstanding debt balances reckoned on the last day of each month. In cases in which the IOF calculation base is not the sum of outstanding debt balances, IOF shall not exceed the amount resulting from applying the daily rate to each amount of principal stipulated for the transaction, multiplied by 365 days, plus an additional rate of 0.38% even if the loan is to be repaid by installment. In any case, IOF is subject to a maximum daily rate of 1.5% on the amount loaned. Furthermore, since January 2008, loans and advances have been subject to IOF in the form of an additional rate of 0.38% irrespective of the repayment period or whether the borrower is an individual or a legal entity.

IOF on insurance transactions

IOF tax is levied on insurance transactions at a rate of:

- 0%, in the case of reinsurance or mandatory insurance pertaining to housing finance provided out by an agent of the housing finance system, export transactions, international transportation of goods, aviation insurance or premiums designated to fund life insurance plans containing life coverage; or

- 0.38% of premiums paid, in the case of life insurance and similar policies, for personal or workplace accidents, including mandatory insurance for personal injuries caused by vehicles or ships or cargo to persons transported or others;

- 2.38% private health insurance business; and

- 7.38% of premiums paid, in the case of other segments of insurance.

Income and social contribution taxes on profits

Federal taxes on company income include two components, income tax known as "IRPJ" and tax on net profits, known as "Social Contribution" or "CSLL." Current year and deferred income tax charges are calculated based on the rates of 15.0% plus a surcharge of 10.0% on taxable income exceeding R$240,000. Considering the above, the IRPJ is assessed at a combined rate of 25.0% of adjusted net income. Current year and deferred social contribution tax is calculated based on a general rate of 9.0% of adjusted net income. However, since May 2008, financial institutions and affiliated companies have been taxed at a rate of 15.0%.

For further information on our income tax expense, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

Companies are taxed based on their worldwide income rather than income produced solely in Brazil. As a result, profits, capital gains and other income obtained abroad by Brazilian entities are computed in the determination of their taxable profits. A Brazilian entity is allowed to offset income tax paid abroad against tax on the same income due in Brazil (i) under double taxation agreements (ii) up to the amount of Brazilian income taxes charged the same income, if there is reciprocal treatment between Brazil and the country where the profit or gain was obtained, as in the case of the United States. Profits computed at the end of each year by an offshore entity which is a branch, subsidiary or affiliate of a Brazilian entity are regarded as available to the Brazilian entity and therefore subject to income tax in Brazil.

Profits or dividends generated and paid by Brazilian entities since 1996 are not subject to withholding income tax, nor are they included in the calculation of income tax for the corporate or individual a beneficiary domiciled in Brazil or abroad.

Since payment of dividends is not tax deductible for the corporation distributing them, Brazilian legislation allows an alternative means of remunerating shareholders in the form of "interest on equity" which may be deducted from taxable income. This deduction is limited to the product of (i) the *pro rata die* variation of the long-term interest rate announced by the Brazilian government, known as the "TJLP," times (ii) the corporation's equity calculated in accordance with accounting practices adopted in Brazil, not exceeding:

- 50.0% of net income (before the above distribution and any deductions for income taxes) for the year in respect of which the payment is made, in accordance with accounting practices adopted in Brazil; or

- 50.0% of retained earnings for the year prior to the year in which payment is made, in accordance with generally accepted accounting principles in Brazil.

Distributions of interest on equity paid to holders of shares, including payments to the depositary bank in respect of shares underlying ADSs or common shares ADSs, are subject to Brazilian withholding tax at a rate of 15.0%, except for payments to: (i) persons exempt and immune from tax in Brazil or (ii) persons situated in tax havens in which case, payments are subject to income tax at a rate of 25.0%. For more information on the taxation of interest on equity, see "Item 10.E. Taxation-Brazilian tax considerations-Distributions of interest on equity"

Tax losses of Brazilian companies accrued in prior years may offset income from future years up to 30.0% of annual taxable income.

Gains realized by persons resident in Brazil on any disposition of common or preferred shares in Brazilian stock exchanges or similar markets are generally taxed at the following rates:

- 20.0% if the transaction is "day-trade" on a stock exchange; or

- 15.0% for all other transactions.

In addition, persons resident in Brazil who trade on exchange, or in commodities, futures or similar markets, except for day-trades, are subject to a withholding income tax of 0.005% as follows:

- in the futures market, the sum of the daily adjustments, if positive, determined when closing out the position, in advance or on settlement date;

- in the options market, the result, if positive, of the sum of the premiums paid and received on the same day;

• for forward contracts, which provide for delivery of assets on a set date, the difference, if positive, between the forward price and cash price on delivery date;

• with respect to forward contracts for financial settlement, the settlement amount as specified by the contract; and

• for the spot market, the sale value of shares, gold, financial assets or other securities traded therein.

This taxation system was created in order to facilitate the Brazilian tax authority's supervision of transactions in the financial and capital markets. Withholding income taxes as mentioned above may be (i) deducted from income tax levied on net monthly gains; (ii) offset with tax due in subsequent months; (iii) offset in annual income tax declaration of adjustment (if there is withheld tax to be returned); or (iv) offset with the outstanding withholding income tax due on capital gains from the sale of shares.

Brazilian residents day-trading on stock, commodities or futures exchanges, or similar markets, are also subject to an additional withholding tax similar to the described above, but the rate is 1%. This tax may also be (i) deducted from the income tax levied on net monthly profit or (ii) offset with income tax due in following months (if there is any withheld tax accounted for in the balance).

Gains on disposition of shares in Brazil by investors who reside in a jurisdiction deemed to be a "tax haven" under Brazilian law (any country that (i) does not charge income tax, (ii) charges income tax at a rate of less than 20.0% or (iii) a country whose corporate law opposes confidentiality on ownership of corporate entities) are subject to the same rates applicable to holders resident in Brazil, as previously described.

Gains obtained on disposition of shares in Brazil by holders who are resident overseas, in a country that, according to Brazilian laws, is not deemed a tax haven, are exempted from Brazilian tax if:

• proceeds obtained from the disposition of shares were remitted from Brazil within five business days of the cancellation of the ADSs or common share ADSs, which were represented by the shares sold; or

• the foreign investment in shares is registered with the Central Bank pursuant to CMN Resolution No. 2,689/00.

Otherwise, the same treatment afforded residents in Brazil will be applicable.

There is zero income tax rate on income from transactions involving Brazilian government bonds purchased as of February 2006, except those for which buyers enter into resell agreements under CMN rules and conditions. This zero income tax rate is also applicable to income of non-residents that invest in shares of investment funds exclusively for non-resident investors, if their portfolio is at least, 98%

government bonds. This zero tax rate is not applicable if the beneficiary is resident or domiciled in a country deemed a tax haven.

The income tax rate is also zero, under certain conditions, on income from investments in private equity investment funds, funds of funds and emerging markets investment funds in if income is paid, credited, delivered or remitted to individual or collective beneficiaries resident or domiciled abroad (except tax havens), whose investments in Brazil are in compliance with CMN regulations and conditions. These funds must comply with CVM regulations on limits for portfolio composition, diversification and investment rules in order to benefit from the zero income tax rate.

Income of Brazilian residents from redemption, sale or amortization of shares in investment funds, private equity funds, funds of funds and emerging markets investment funds, including income resulting from liquidation of the fund, is subject to an income tax rate of 15% on the positive difference between redemption or sale value and acquisition cost.

In December 2008, the Brazilian government created the Transition Tax Regime ("RTT") to neutralize the impact of the new accounting methods and criteria introduced in December 2008, as part of Brazil's adoption of international accounting rules. The adoption of RTT which, will be in force until law governing the tax effects of the new accounting methods and criteria becomes effective, was optional for 2008 and 2009 but became mandatory in 2010 fiscal year, including for purposes of determining the social contribution, PIS and COFINS. We have elected to adopt the RTT for fiscal year 2008.

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In June 2010, legislation introduced thin capitalization rules, and limited deduction for interest paid or credited by a Brazilian company to (i) an addressee domiciled abroad, whether or not holding equity interest in the company paying, and (ii) an addressee resident, domiciled or incorporated in a tax haven or locality with a low or privileged tax regime.

In cases where the creditor is a related party domiciled abroad and holds an equity interest in the Brazilian company making a payment, debt may not exceed the equivalent to twice such shareholders' interest in the total equity of the Brazilian company. In case of a related party with no shareholding interest, the limit will be equivalent to twice the total equity of the Brazilian company resident in Brazil. If there is more than one creditor, total debt owed foreign companies may not exceed the equivalent of twice the total value of the interests of all the related parties in the equity of the company resident in Brazil. If the debt is exclusively related to foreign companies that have no ownership interest in the Brazilian company, the overall limit is twice the equity of the Brazilian company. If the creditor is domiciled in a low tax jurisdiction the debt amount may not exceed 30.0% of the equity of the Brazilian company. Any amounts exceeding the limits above such limit may not be deducted for purposes of withholding income and social contributions taxes.

Also beginning in June 2010, tax deductions for any payment to a beneficiary resident or domiciled in a country considered a tax haven became subject to the following requirements in addition to others already stipulated in the legislation: (i) identification of the actual beneficiary of the person domiciled abroad; (ii) proof of the ability of the person located abroad to complete the transaction; and (iii) documented proof of payment of the respective price and of receipt of the assets, rights, or utilization of service.

In November 2010, the Brazilian tax authorities issued a normative instruction altering the tax treatment applicable to variation in the monetary value of taxpayers' credit rights and obligations due to varying exchange rates. Under this new instrument, as of calendar year 2011, election of tax regime for taxation of exchange-rate variations (i) may only be exercised in January of each calendar year and (ii) may only be altered during the fiscal year if there is "material variation in the exchange rate," as published by a Finance Ministry directive.

PIS and COFINS

Two federal taxes are imposed on the gross revenues of corporate entities: PIS and COFINS. Nonetheless, many revenues, such as dividends, equity earnings from unconsolidated companies, revenues from the sale of fixed assets and export revenues paid in foreign currency are not included in the calculation base for PIS and COFINS. Revenues earned by corporations domiciled in Brazil are subject to PIS and COFINS taxes corresponding to interest on equity.

Brazilian legislation authorizes certain adjustments to the calculation base of those taxes depending on the business segment and on other aspects.

Between 2002 and 2003, the Brazilian government implemented a non-cumulative collection system of PIS and COFINS taxes, allowing taxpayers to deduct from their calculation basis credits originating from certain transactions. In order to offset these credits, the rates of both PIS and COFINS were substantially increased. Subsequent to the changes made to PIS and COFINS, as of May 2004, both taxes are applicable on imports of goods and services when the taxpayer is the importing company domiciled in Brazil.

As of August 2004, PIS and COFINS rates were eliminated for financial income earned by companies subject to the non-cumulative applicability of these taxes. However, taxes changed on payments of interest on equity were maintained.

Certain economic activities are expressly excluded from the non-cumulative collection system of PIS and COFINS. Financial institutions remain subject to PIS and COFINS according to the "cumulative" method, which does not allow any credits to be discounted.

PIS is charged based on the total revenue generated by entities and is charged at a rate of 0.65% in the case of financial and similar institutions.

Before February, 1999, we were not a COFINS taxpayer. In February, 1999, COFINS was imposed on our gross revenues at a rate of 3.0%. After September, 2003, this tax rate was increased to 4.0% for financial and similar institutions. The calculation base for COFINS is the same as that for PIS.

In July 2010, the Brazilian tax authorities introduced digital tax records for PIS and COFINS taxes. Under the new rule, financial and similar institutions must keep digital records for PIS and COFINS taxes relating to taxable events occurring as of January, 2012.

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Selected Statistical Information

Selected statistical data shown in this section for the years ended December 31, 2011, 2010 and 2009 are from our consolidated financial statements prepared under IFRS. The selected statistical data in this section for the years ended December 31, 2008 and 2007 are from our consolidated financial statements prepared in accordance with U.S. GAAP and not shown in this annual report. The tables of selected statistical data show "Based on IFRS" if taken from our IFRS consolidated financial statements or "Based on U.S. GAAP" if taken from our U.S. GAAP consolidated financial statements. To the extent that certain data (for the years ended December 31, 2008 and 2007) were prepared under U.S. GAAP whereas other data (for the years ended December 31, 2011, 2010 and 2009) were prepared under IFRS, the above data are not directly comparable. In addition, information included under IFRS is presented in thousands of reais and information included under U.S. GAAP is presented in millions of *reais* which is the format under which we presented U.S. GAAP information in annual reports filed in prior years. Unless otherwise stated and except for U.S. GAAP information, the data in this annual report is presented in thousands of *reais* .

We have included the following information for analytical purposes. You should read this information (for the years ended December 31, 2011, 2010 and 2009) in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements in "Item 18. Financial Statements."

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Average balance sheet and interest rate data

The following tables present the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense or similar amounts and the average real yield/rate for each period. We calculated the average balances using the month-end book balances, which include the related allocated interest.

We do not show interest income on a tax-equivalent basis, as Brazilian tax law does not currently provide for tax exemptions for interest earned on investment securities.

Interest-earning assets

	R$ in thousands, except %								
	2011			2010			2009		
December 31,	**Average balance**	**Interest and similar income**	**Average yield/ interest**	**Average balance**	**Interest and similar income**	**Average yield/ interest**	**Average balance**	**Interest and similar income**	**Averag yield/ interes**
Interest earning assets									
Financial assets held for trading	87,326,233	9,076,069	10.4%	62,407,194	6,398,665	10.3%	64,053,338	7,335,837	11.5
Financial assets available for sale	33,549,814	3,373,070	10.1%	34,888,119	3,342,997	9.6%	32,879,788	3,161,328	9.6
Investments held to maturity	4,510,835	360,835	8.0%	3,778,920	438,485	11.6%	3,926,680	438,812	11.2
Assets pledged as collateral	75,623,917	8,744,459	11.6%	70,498,746	6,862,222	9.7%	52,190,117	4,561,679	8.7
Loans and advances to banks	75,900,028	9,194,044	12.1%	64,545,465	6,059,777	9.4%	64,001,712	5,096,837	8.0
Loans and advances to customers	234,942,522	45,465,684	19.4%	194,680,442	37,765,023	19.4%	170,608,470	34,000,722	19.9
Other interest earning assets									
Central Bank compulsory deposits	59,239,456	6,112,337	10.3%	32,553,623	2,869,307	8.8%	8,015,947	534,676	6.7
Other assets	518,296	40,774	7.9%	494,975	35,707	7.2%	474,363	35,338	7.4

Total interest earning assets	**571,611,101**	**82,367,272**	**14.4%**	**463,847,484**